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Research Report on America's Cities

TOOLS AND TARGETS

The Mechanics of City Economic Development

One of a series of Research Reports on major empirical studies of conditions and policies in America's municipalities.

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TOOLS AND TARGETS

The Mechanics Of City Economic Development

By

Ann O'M. Bowman
Lincoln Government Fellow
National League of Cities

October 1987

A Research Report
of the National League of Cities

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PREFACE

Tools and Targets is one of two major NLC reports that result from the research on local economic development done by Dr. Ann O'M. Bowman during her tenure as NLC's Lincoln Government Fellow for the academic year 1986-87. The other is The Visible Hand which includes analyses of survey findings that illuminate crucial topics such as definitions, intergovernmental roles, local institutional structures, and measures of success in economic development.

These two volumes make unique, substantive, and substantial contributions to the available knowledge and understanding regarding city economic development. We believe these studies will be of interest and use to city officials and to others concerned with this topic. We commend Dr. Bowman's efforts and her achievement.

The Lincoln Government Fellowship is co-sponsored by NLC and the Lincoln Institute of Land Policy in Cambridge, Massachusetts. We are proud of and pleased with this collaboration and we appreciate the Lincoln Institute's continuing support. Dr. Bowman of the University of South Carolina was the third Lincoln Fellow. Previous fellows were Dr. Robert Jay Dilger, University of Redlands, whose research focused on the effects of Federal tax policy on cities and Dr. Michael A. Pagano, Miami University (Ohio), who conducted studies on several aspects of capital finance. The fourth Lincoln Fellow, Dr. Arthur T. Johnson of the University of Maryland-Baltimore County, is now undertaking research on land use and land policy.

The Fellowship is an integral part of NLC's research activities. NLC publishes empirical studies of conditions and policies in America's municipalities and a Policy Working Paper series that includes works that analyze issues of importance to the nation's cities and towns. We aim to provide dependable information and stimulating ideas that will increase understanding of, and engender interest in, municipal affairs and city issues within America's federal system. Dr. Bowman's work fulfills these aims admirably.

We join Dr. Bowman in acknowledging and thanking the city officials, scholars, and NLC staff who contributed to the development of Tools and Targets. We are very pleased to offer this report and its companion volume to NLC's member cities and state leagues, the policy community, and the public.

Alan Beals
Executive Director

William E. Davis, III
Director, Office of Policy
Analysis and Development

ACKNOWLEDGMENTS

A report like this one owes debts of gratitude far and wide.

First of all, sincere appreciation is due the survey respondents who graciously and conscientiously completed the questionnaire from which this report is derived. The questionnaire was a multi-page instrument that, contrary to survey research guidelines, required a great degree of tenacity and commitment to complete. Seventy-five percent of the economic development professionals who received the questionnaire completed it. Many sent along additional information about their cities. This level of support for a research endeavor is unusual and is gratefully acknowledged.

The design of the research and the interpretation of the findings were aided by the insightful comments offered by participants in a series of roundtable discussions. These participants included: Edward Bergman, Thomas Black, Michael Brodd, Bill Claggett, Anthony DeVito, Scott Fosler, Howard Gudell, Bill Hamilton, Arthur Johnson, Hugh Knox, Larry Ledebur, Blaine Liner, Marilyn Swartz Lloyd, Harold Lucas, Bill Lysaught, Michael McCain, Susan Mueller, Michael Pagano, Todd Swanstrom, and Ned Zimmerman.

Further molding and improvement of the project came at the hands of the very knowledgeable National League of Cities staff. The suggestions of Virginia Mayer and Matt Kane, NLC's economic development specialists, and Bill McCarthy and Doug Peterson from NLC's policy office, were especially helpful. Research assistance for the project was ably provided by Stephen Morris. The largest single debt of gratitude is owed Bill Barnes who had the task of transforming an interesting idea into a policy-relevant research project. His contribution to this report is immeasurable.

The comments and editorial advice from Ed Meyers and Bill Claggett on an earlier draft of this report considerably improved the final product.

The Lincoln Institute of Land Policy sponsors the Lincoln Government Fellow at the National League of Cities and provided financial support for the roundtable discussions.

The encouragement and support of the executive director of the Lincoln Institute, Ronald L. Smith, were very important to the project.

Ann O'M. Bowman
Lincoln Government Fellow
National League of Cities

TOOLS AND TARGETS

The Mechanics of City Economic Development

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Ann O'M. Bowman

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October 1987

EXECUTIVE SUMMARY

American city governments are engaged in a variety of efforts to maintain and enhance local economic health. This report explores those efforts by focusing on two questions: what are cities doing, and how are they doing it?

This report is derived from an NLC survey of 322 American cities, large and small, with different economic structures and levels of distress, nation-wide. The survey explored city government involvement in the local economy. This report focuses on the tools and targets that cities use to influence their local economies. The key findings appear below.

1. The two tools most important to a city's economic development effort are infrastructure improvements and the issuance of tax-exempt bonds for private development. The message is unassailable. These tools are the most popular: 85% of the cities have used infrastructure improvements; 78% have used tax-exempt bonds for private development. They are the most relied upon tools: 48% of the cities report using infrastructure improvements extensively in 1986; 34% report using tax-exempt bonds extensively. And finally, when their use is linked to the achievement of specific economic development objectives, these two tools come out at the top.

2. Other tools that have been used by a majority of cities in the past include tools related to land development such as land condemnation (56%), acquisition (69%) and clearance (61%), relocation of residents and businesses from redevelopment areas (61%), and sale of land to developers (69%). In addition, a majority of cities have used historic preservation designation (60%), local survey of business needs (56%), advertising (54%), marketing strategy (54%), and employee training/retraining (53%).

A. The survey revealed a correlation between city size and the use of economic development tools and targets. The larger the city, the more likely it is to use economic development tools extensively.

B. The survey revealed significant regional differences in the use of economic development tools. Cities located in the Mid-Atlantic region, for example, use tools more extensively than cities in the Mountain and Pacific areas. Regions also vary in the package of economic development tools they assemble.

C. Distress level correlates closely to tool use. Generally, the higher the level of distress in a city (as measured by the UDAG indicator), the more likely the city will use economic development tools extensively. Consider the case of tax abatement. Over 37% of the cities in the high distress category and no cities in the low distress category used tax abatement extensively in 1986.

3. The survey reveals an impending revolution in the economic development tools that will be used by cities. Eleven economic development tools are predicted to see a substantial increase in use. These include; taxable bonds, venture capital, revolving loan funds, foreign trade zones, lease of land to developers, one stop business permitting centers, procurement assistance, entrepreneurial assistance, strategic planning, marketing strategy, and export assistance.

4. A majority of cities find six targets "very important" to their economic development efforts. The six targets and their "very important" percentages are: downtown redevelopment (76%), attracting new business (70%), retaining existing business (67%), expanding existing business (66%), industrial areas (54%), and small business development (51%).

A. Target selection largely depends on city size. Larger cities tend to identify more "very important" targets than small cities. In addition to the popular targets (noted above) large cities have paid particular attention to minority business development and neighborhood centers as economic development targets.

B. Target selection tends to vary by regions. For some targets such as research and development occupations, the regional difference in importance is minimal. For others, e.g., minority business development, the range is substantial. Individual regions place varying emphasis on particular targets. For example, compared to other regions, the Mid-Atlantic cities place more emphasis on office buildings, the East South Central cities emphasize the attraction of new business, the South Atlantic focuses on central administrative occupations.

C. A city's distress level influences the number of targets and the type of targets that are selected. High distress cities designate many more targets as "very important" than low distress cities. High distress cities tend to target two objectives that are virtually absent from the agenda of low distress cities, minority business development and community development corporations.

D. Economic structure is not as clearly related to targeting as are other city characteristics. Cities with an economic base concentrated on services or manufacturing tend toward economic development targeting more than retail-based cities. While the selection of particular targets does not differ as much as might be expected, interesting variations arise such as the emphasis that manufacturing cities place on diversification of the business mix.

5. The tools most important to the achievement of specific economic development targets, besides infrastructure improvements and tax-exempt bonds are revolving loan funds, marketing strategy, tax abatement, direct loans to private business, and entrepreneurial assistance.

There was an era when city government considered the local economy to be the province of the private sector. That era is history. City governments are very involved in promoting local economic development. They identify targets and use an array of tools. The impact of this activity is addressed in a companion volume to this report.

CHAPTER I
INTRODUCTION

A healthy local economy is an indisputable community asset. While city governments have always been interested in the maintenance and enhancement of their local economies, that interest has been converted into action in the 1980s. Contemporary city governments have become increasingly more "proactive" or "interventionist" with regard to their local economies.

The actions of city governments range from efforts to create an environment for growth (e.g., infrastructure improvements) to programs that involve city government in a direct relationship with private sector entities (e.g., venture capital funds). These actions are often called "tools," and their objectives are called "targets."

This report is a study of the tools and targets of city economic development. It was undertaken to fill a well-documented and widely-lamented information gap regarding the specifics of local economic development policy: what are cities doing, and what do they hope to accomplish?

The data in this report emanate from a survey conducted by the National League of Cities in 1987. (A description of the research process and a list of the participating cities appears in the appendices.) Economic development professionals in 322 American cities responded to the survey. These professionals have different titles in different cities but, on average, tend to be directors of city economic development departments. They are, without question, those top level managers most intimately involved in the city's economic development effort.

The portion of the survey presented in this report asked the respondents for objective information regarding their city's economic development effort. City officials and managers were instructed to indicate whether specific tools had been used in the past, the degree to which they were used in 1986, and whether they are likely to be used in the future. In addition, they were asked to assess the importance of different types of economic development targets. In doing so, these knowledgable respondents were speaking for their respective cities. The result is a detailed description of the mechanics of city economic development policy.

Chapter II establishes the usage patterns of economic development tools. It reports on the use of 45 different economic development tools over time. The tools are grouped into three clusters according to intent: cost reduction, capacity improvement, and market expansion. The data reflect the percentage of cities that have used tools in the past (a tool popularity measure), the degree to which they were used in 1986 (a tool reliance measure), and the likelihood that they will be used in the future.

In Chapter III, the 1986 usage patterns are categorized by four important city characteristics: population size, region, level of distress, and economic structure. This breakdown allows the comparison of large and small cities, cities in different parts of the country, cities with various levels of distress, and cities with different economic bases. Close examination reveals, a substantial variation in the amount and types of tools used.

Chapter IV examines the targets of city economic development. Nineteen targets in four categories--geographical, entrepreneurial, business, and occupational--are evaluated to determine their importance to city economic development. Importance is gauged on a five-item scale ranging from "not important" to "very important," and, the three most important tools associated with the "very important" targets are discussed.

In Chapter V, the targets are categorized by the same four city characteristics: population size, region, level of distress, and economic structure. This breakdown reveals an understanding of the relative emphases of economic development programs in cities of different size, location, distress, and economy. As with tool use, the targeting of specific objectives varies by city type.

Chapter VI offers a synthesis of sorts. It returns to the data of the earlier chapters and explores city type and tool use, but from the perspective of six important tools. The chapter also addresses the relationship between two different measures of tool use--the reliance measure and the purposive measure.

There are no magic formulae, no quick fixes in local economic development. Cities are experimenting with a variety of tools aimed at a range of targets. Armed with an understanding of how other cities approach the topic, city policymakers will be better equipped to anticipate and respond to the challenges of the 1990s.

CHAPTER II
PATTERNS OF TOOL USE

Cities have an array of economic development tools at their disposal. The tools are different in approach and impact. These tools can be called "programs" or "activities"; they have even been called "policy instruments." Regardless of nomenclature, the tools are the means by which city governments influence the local economy and enhance the city's developmental potential.

Some of the tools are intended to encourage investment by lowering costs for developers and business through a public subsidy. These financial tools typically involve the city in a direct relationship with a developer or business and are labeled cost reduction tools. Another cluster of tools is aimed at streamlining the development process. The city government takes a more active role by harnessing its regulatory powers to improve its own capacity and that of local firms. By reducing inefficient governmental disincentives to development, the city is engaging in capacity improvement. A third group of tools allows the city to enlarge demand by strengthening the market for the locality and for local firms. That is, the city tries to make the locality and local firms more attractive and visible. These are considered market expansion tools.

This categorization is not hard and fast. Many of the tools are multipurpose and defy strict classification. The categories, however, are fairly inclusive of the general policy options available to cities. Irrespective of their specific intent, the tools produce indirect effects such as contributing to the on-going process of city image building. In other words, the tools serve a powerful attitude readjustment role. They can affect the impression that both citizens and outsiders have of the community.

To explore usage patterns in the cities, the survey provided a comprehensive listing of 45 local economic development tools. Respondents were asked to indicate: (1) whether their city had used the tool in the past, (2) whether their city had used the tool "extensively" or "occasionally" during the previous year (1986), and (3) whether their city was likely to use the tool in the future. The data in Table II-1 display the percentage of the responding cities using a particular tool. In the remainder of the chapter, the tool use data from Table II-1 will be analyzed. In each of the sections--past, 1986, and future--a

TABLE II-1 PERCENTAGE OF CITIES USING ECONOMIC DEVELOPMENT TOOLS

TOOLS	USED IN THE PAST	AMOUNT OF USAGE IN 1986 EXTENSIVE	AMOUNT OF USAGE IN 1986 OCCASIONAL	LIKELY TO USE IN THE FUTURE
COST REDUCTION				
Deferred Tax Payments	11.2	2.2	8.1	13.7
Direct Cash Contribution to Project	39.4	7.5	30.7	36.6
Direct Loans to Private Business	47.2	16.5	28.3	48.4
Donation of Land to Developers	14.9	0.9	11.2	19.6
Donations of Unused Real Property	28.9	4.3	19.6	29.8
Foreign Trade Zones	19.9	5.0	15.2	37.6
Historic Preservation Designation	59.9	20.8	33.9	63.7
In-Kind Payment	27.3	4.7	18.6	27.3
Issuance of Tax-Exempt Bonds For Private Development	78.3	34.2	36.3	57.8
Land Write-Downs	45.3	10.2	23.0	44.7
Loan Guarantees	30.5	5.6	22.4	32.6
Loan Subsidies	39.8	12.1	22.4	38.5
Revolving Loan Funds	49.1	26.4	21.4	62.1
Sale-Lease Back	16.5	1.9	9.6	24.2
Shared Equity	18.9	2.5	11.8	27.6
Syndication	12.4	4.0	4.7	13.7
Tax Abatement	39.4	12.7	27.0	44.4
Taxable Bonds	13.0	3.4	9.6	37.9
Venture Capital	7.8	1.2	8.7	26.4
CAPACITY IMPROVEMENT				
Assignment of Air Rights	21.4	1.6	14.9	28.0
Building Construction/Renovation	38.8	15.8	20.2	42.9
Daycare Assistance	8.7	3.7	5.9	16.8
Development Fees (linkage)	17.4	5.0	13.4	27.0
Employee Training/Retraining	53.4	26.4	25.5	55.6
Entrepreneurial Assistance	37.3	16.5	26.4	51.9
Infrastructure Improvements	85.4	47.5	32.3	83.5
Land Acquisition	68.6	23.0	36.3	69.3
Land Clearance	60.6	20.5	30.4	57.8
Land Condemnation	56.5	14.0	30.1	56.2
Leasing of Land to Developers	31.7	6.8	21.7	46.3
Local Survey of Business Needs	56.2	19.3	30.4	66.1
Lot Consolidation	42.2	13.0	23.3	43.2
One Stop Business Center (permitting)	33.2	23.9	9.9	55.3
Procurement Assistance	20.2	6.5	17.7	30.7
Relaxation of Building or Zoning Regs.	22.7	2.5	18.3	24.2
Relaxation of Environmental Regs.	2.5	0.3	3.1	4.3
Relocation of Residents & Business from Redev. Areas	60.6	17.1	28.9	55.3
Sale of Land to Developers	69.3	22.4	36.0	72.0
Special Purpose Zoning	37.6	6.5	26.1	45.3
Strategic Planning	45.7	27.0	23.3	62.8
MARKET EXPANSION				
Advertising	54.0	21.7	36.0	62.4
Export Assistance	14.0	4.3	10.2	26.1
Marketing Strategy	53.7	29.5	28.6	68.9
Promotional Missions (domestic)	42.5	13.4	28.6	50.3
Trade Missions Abroad	25.5	4.0	20.2	32.0

discussion of the general patterns is followed by consideration of the cost reduction,capacity improvement, and market expansion categories.

(1) Tool Use in the Past

The two most popular economic development tools are infrastructure improvements (85.4% of the cities report using them) and the issuance of tax-exempt bonds for private development (78.3%). Infrastructure is a basic foundation imperative to economic development. In the contemporary period, infrastructure is typically considered a public good provided by the public sector. Tax-exempt bonds, especially industrial development bonds, have proven an important gap financing mechanism for municipalities. Together, these two tools have formed the heart of the local economic development effort.

Five related capacity improvement tools have also been popular. Cities have been engaged in condemning land (56.5%), acquiring land (68.6%), relocating residents and business from redevelopment areas (60.6%), clearing land (60.6%), and selling land to developers (69.3%). During the post-war era, these activities became the conventional means for public sector intervention in land (re)development.

Other tools used by a majority of cities in the past include: historic preservation (59.9%), local survey of business needs (56.2%), advertising (54.0%), marketing strategy (53.7%) and employee training/retraining (53.4%). The diverse nature of these tools indicates that the promotion of economic development takes many different forms.

Generally, cities have not used the relaxation of environmental regulations (2.5%), venture capital (7.8%), and/or daycare assistance (8.7%) as tools to promote local economic development.

Cost Reduction Tools

As a group, cities have been fairly selective in their use of the cost reduction tools. Beyond the use of the popular tax-exempt bonds and historic preservation designations, a high proportion of cities have relied upon more project-specific tools: revolving loan funds (49.1%), direct loans to private business (47.2%), and land write-downs (45.3%). Over one-third of the cities report having used loan subsidies, tax abatement, and direct cash contributions to projects to promote local economic development. More than one-

quarter of the cities have tried to spur development by using loan guarantees, donations of unused real property, and in-kind payments.

One large cluster of cost reduction tools has been clearly less popular with cities to date. This cluster includes foreign trade zones (19.9%), shared equity (18.9%), sale-lease back (16.5%), donation of land to developers (14.9%), taxable bonds (13.0%), syndication (12.4%), deferred tax payments (11.2%), and venture capital funds (7.8%).

Capacity Improvement Tools

As previously noted, infrastructure improvements and a package of conventional land development tools (acquisition, clearance, sale of land, and relocation of residents and businesses) have been the most widely-embraced capacity improvement tools. Other popular land development activities such as land condemnation and lot consolidation have been used by 56.5% and 42.2% of the cities, respectively. Less widely used are city-sponsored building construction and renovation (38.8%), leasing of land to developers (31.7%), and assignment of air rights (21.4%).

Fewer than half of the cities have used the regulatory process itself in an effort to influence local economic development. Special purpose zoning has been used by 37.6% of the cities and relaxation of building or zoning regulations has occurred in 22.7%. Relaxation of environmental regulations is an unpopular endeavor; only 2.5% report having done so in the past.

Many cities have redoubled their efforts to understand and assist the local business community. A heightened awareness of business needs (attained by over half the cities through business needs surveys) and a more thorough understanding of community goals (as a result of the strategic planning undertaken by nearly half the cities) have vastly enhanced capapcity improvement. Business assistance, in the form of employee training/retraining has been fairly popular (53.4%) but entrepreneurial assistance (37.3%), one stop business centers (33.2%), and procurement assistance (20.2%) lag behind. Very few cities (8.7%) have used daycare assistance as an economic development tool.

Development fees, that is, tying development to the achievement of other, often social, goals of the city, has been used only occasionally in the past (17.4%).

Market Expansion Tools

A majority of cities has engaged in advertising (54.0%) and has developed a marketing strategy (53.7%) to promote the city as a place for investment. A substantial number have taken the next step and conducted domestic promotional missions (42.5%). Cities are less likely to venture into the international realm, however. Roughly one quarter of the cities indicate that they have conducted trade missions abroad, and only 14.0% report that they have provided export assistance. Market expansion tends to be regarded in terms of domestic markets alone.

(2) Tool Use in 1986

The historical tool usage patterns discussed in the preceding section provide an indication of how cities have approached local economic development policy. These data are comparative and allow us to determine how popular the various tools have been. However, the data do not provide an assessment of the degree to which an individual tool is being used. In other words, the past usage figures do not offer any insight into the relative reliance on specific tools--whether a tool is used extensively or occasionally. To gauge reliance, the two columns of figures under the heading "Amount of Usage in 1986" in Table II-1 should be consulted. These figures indicate, for a single year, the relative importance of the tools. "Extensive" implies a frequent or routine use of a tool; "occasional" denotes more sporadic, nonroutine usage. Interpreting the data from any one year should be done cautiously given the multiyear time-frame of many economic development projects.

Three summary observations are evident from the 1986 usage figures. First, it appears that cities are more likely to be occasional users than extensive users of whatever tools they employ. Only in very few instances are the percentages in the "extensive" use column greater than the percentages in the corresponding "occasional" use column. This suggests that the historical usage patterns reported in the previous sections reflect sporadic activity rather than sustained activity.

Second, very few of the tools are used extensively. For example, only two tools (infrastructure improvements and tax-exempt bonds) were used extensively in 1986 by more than one-third of the cities. In other words, if one traveled across the urban

landscape in 1986, one would have infrequently encountered the same tools routinely used in different places.

Third, compared to the column of figures for past use, a slightly different set of important tools emerges in 1986. While infrastructure improvements and tax-exempt bonds continue to prevail, the overall use of land development tools recedes somewhat and is replaced by an assortment of other tools including marketing strategy, strategic planning, employee training/retraining, and revolving loan funds. This suggests that 1986 may have been part of a new wave in the use of economic development tools. The year 1986 had a slightly different flavor from the past.

Examining the usage rates for a single year in conjunction with the past use figures offers a fuller understanding of what cities are doing. For example, approximately one-fifth of the cities indicated that they had used the assignment of air rights as an economic development tool in the past. The figures for 1986 indicate that this activity is typically confined to a limited number of projects in a city. Less than 2% of the cities used the assignment of air rights extensively. The same is true for trade missions abroad. Over 25% of the cities reported international trade missions in the past; however, based on the 1986 figures, only 4.0% report that these missions are an integral part of their economic development strategy.

Cost Reduction Tools

In 1986, the cost reduction tools most frequently and extensively used included tax-exempt bonds, revolving loan funds, and historic preservation designations. These activities were more likely to characterize a city's approach than any others.

Looking beyond extensiveness to occasional use, however, reveals some interesting variation. During the year, cities, on occasion, did provide two important forms of financial support to development. For example, 30.7% report making direct cash contributions to projects occasionally (and 7.5% extensively) and 28.3% report making direct loans to private business occasionally (and 16.5% extensively). Other tools that lower the cost of doing business, albeit more indirectly, (tax abatement, land write-downs, and loan subsidies), were important to cities during 1986. In a given year, the

use of cost reduction tools appears to be more selective than the past use data may have conveyed.

Capacity Improvement Tools

Infrastructure improvement is the tool that dominated the capacity improvement picture in cities in 1986. Infrastructure improvement occurred extensively in almost one-half of the cities, and occasionally in another one-third. No other capacity improvement tools experienced a similar degree of usage. And only three tools of this type demonstrated, as did infrastructure, more extensive than occasional use: the establishment of one stop business permitting centers, strategic planning, and employee training/retraining. Approximately one-fourth of the cities report using these tools extensively.

The land development tools popular in the past remain popular, but their degree of use is, actually, somewhat limited. Basic land development tools such as condemnation, acquisition, clearance, and sale were used by roughly half of the cities in 1986 but their use tended to occasional rather than extensive. The same is true for the local survey of business needs. The tendency toward occasional rather than extensive use is even stronger for tools with lower overall usage rates, e.g., the relaxation of building or zoning regulations and the use of special purpose zoning.

Market Expansion Tools

Examining the use of market expansion tools in 1986 reveals a pattern similar to that found in the other categories. With marketing strategy as the sole exception, cities did not use the market expansion tools in a sustained manner. This infrequent usage may reflect the naure of market expansion tools as "once a year" endeavors. The emergence of marketing strategy as an important tool (29.5% used it extensively) is evident when it is compared to advertising (21.7% used it extensively), traditionally considered the predominant market expansion activity. Comprehensive marketing strategies may, in fact, include some of the other market expansion tools listed.) The continuing domestic orientation of city efforts to expand the market is apparent from the substantially lower usage rates for the two internationally-oriented tools.

(3) Tool Use in the Future

The data from the "likely to use in the future" column of Table II-1 make one conclusion crystal clear: cities plan to be much more involved in economic development activities. The changes over time and across categories of tools suggest that the evolution of local economic development may be tantamount to a revolution. More city governments will be more involved in local economic development.

Few of the 45 tools will experience lower (than in the past) usage rates. In these cases (in-kind payment, land write-downs, land condemnation, loan subsidies, infrastructure improvements, land clearance, direct cash contribution to project, and relocation of residents and businesses from redevelopment areas), the decline in the anticipated usage is negligible--less than six percentage points. (The importance of a one percentage point decline varies given the level of use.) Only in the issuance of tax-exempt bonds for private development (a difference of 20.5 percentage points) do the anticipated usage rates decline significantly. (Given the provisions of the 1986 Tax Reform Act, the only surprising aspect of the predicted downturn in the use of tax-exempt bonds is that the drop is not greater.)

The use of most tools is expected to increase. In some cases, the increase is substantial. If an increase of ten percentage points is deemed "substantial," then eleven of the tools--taxable bonds, venture capital, revolving loan funds, foreign trade zones, lease of land to developers, one stop business permitting centers, procurement assistance, entrepreneurial assistance, strategic planning, marketing strategy, and export assistance--will play a larger role in local economic development that they ever have before. Other tools will continue to be used by roughly the same proportion of cities. Widely used tools such as land acquisition will maintain their popularity. The tool least utilized in the past, relaxation of environmental regulations, will continue to be eschewed by cities.

Cost Reduction Tools

Given that the issuance of tax-exempt bonds will decrease, two other cost reduction tools will become more prominent: historic preservation designation and revolving loan funds. Changes in federal laws have reduced the tax advantages of historic preservation designations; therefore, their continued usage suggests a broader utility to the city than

mere cost reduction. The surge in popularity of revolving loan funds is due not only to the continued federal support of this activity but to the increased state government presence as well. Cities increasingly consider revolving loan funds a viable means of assisting and guiding local economic development.

Other prominent components in the cost reduction arsenal of the future will include the venerable tax-exempt bonds, direct loans to private business, land write-downs, and tax abatement. Some tools infrequently utilized in the past--such as shared equity and venture capital--will be used by more cities while others--such as deferred tax payments and syndication--will remain infrequently used tools.

Capacity Improvement Tools

In the future, capacity improvement will proceed in two complementary directions. Cities will continue the traditional focus on infrastructure and land development. This suggests that there will be no erosion in the efforts of cities to guide economic growth. In addition, cities will be venturing along less traveled paths with a host of "business assistance" tools. These actions are often undertaken to create an environment in which new, small firms can flourish. Taken together, these directions portend a much closer relationship between the public and private sectors than has existed in the past.

The popularity of the capacity improvement tools will not diminish. Unlike the cost reduction tools, most of the capacity improvement tools will be used by nearly 40% of the cities. Even some of the most innovative tools like linkage and daycare assistance, will experience substantial increases in usage.

Market Expansion Tools

Use of the market expansion tools is on the rise. Over half of the cities will be advertising, developing marketing strategies, and going on domestic promotional missions. The awareness of the global possibilities for local economies is increasing as well. More cities will be conducting trade missions abroad and, perhaps as part of the more generalized trend toward business assistance, over one-fourth of the cities ill be assisting local companies with export matters.

CHAPTER III
EXAMINING TOOL USE

The data on tool usage are important because cities tend to emulate the successes of others. City officials are interested in learning how other cities are addressing the economic development issue. To facilitate intercity comparisons, the data are apportioned in four ways: by city population size, region, level of distress, and local economic structure. This makes it easier for city officials to identify which tools are popular with cities like theirs and to gauge how their local efforts compare.

In discussing the ways that different types of cities use economic development tools, only the 1986 data will be presented. Compared to past and future use rates, the 1986 figures contain more information. Not only do the 1986 figures indicate the proportion of cities that used a specific tool (a popularity measure), unlike the past or future data they reveal the degree to which a specific tool was used (a reliance measure). Using just the 1986 figures makes for a much more economical presentation of the data. The resultant data loss is not severe because, as Table II-1 showed, the 1986 extensive and occasional usage patterns mirror, for the most part, past usage, and, because predicted future use is somewhat problematic, given a rapidly changing local economic development scene. The 1986 data are the preferable alternative.

Many factors affect the way a city designs its economic development program. A city's population size implies certain capacities and concerns regarding economic development. Its location suggests a particular orientation to the issue. Its level of distress conveys a pattern of needs and demands that influences policy choices. Its economic structure implies that some developmental strategies will be more compatible than others. Breaking the aggregate tool use patterns into clusters based on these four characteristics will illuminate the distinctions.

(1) City Population Size and Economic Development Tool Use

The cities in the sample have been separated into four groups according to their 1980 population size: small cities are those with populations of less than 50,000, small-mid cities have populations between 50,000 and 100,000, mid-large cities have populations between 100,000 and 200,000, and large cities are those with populations greater than

TABLE III-1 1986 TOOL USAGE BY CITY SIZE

TOOLS	LARGE		MID-LARGE		SMALL-MID		SMALL	
	EXT.	OCC.	EXT.	OCC.	EXT.	OCC.	EXT.	OCC.
COST REDUCTION								
Deferred Tax Payments	3.3	8.2	0.0	13.5	4.2	5.0	0.0	6.1
Direct Cash Contribution to Project	11.5	41.0	8.1	32.4	7.6	28.6	3.0	24.2
Direct Loans to Private Business	31.1	39.3	20.3	31.1	10.1	26.9	12.1	19.7
Donation of Land to Developers	0.0	18.0	2.7	16.2	0.8	9.2	0.0	3.0
Donations of Unused Real Property	4.9	29.5	5.4	23.0	4.2	15.1	1.5	15.2
Foreign Trade Zones	11.5	45.9	9.5	10.8	0.8	6.7	1.5	7.6
Historic Preservation Designation	26.2	55.7	27.0	37.8	13.4	25.2	22.7	25.8
In-Kind Payment	4.9	24.6	4.1	29.7	5.9	10.1	3.0	13.6
Issuance of Tax-Exempt Bonds For Private Development	59.0	32.8	39.2	39.2	26.1	34.5	22.7	37.9
Land Write-Downs	19.7	29.5	8.1	33.8	10.9	20.2	3.0	10.6
Loan Guarantees	19.7	32.8	2.7	29.7	3.4	20.2	0.0	10.6
Loan Subsidies	23.0	36.1	16.2	20.3	9.2	22.7	3.0	9.1
Revolving Loan Funds	45.9	27.9	35.1	18.9	18.5	21.0	13.6	19.7
Sale-Lease Back	3.3	13.1	2.7	13.5	1.7	5.9	0.0	9.1
Shared Equity	3.3	26.2	2.7	16.2	3.4	5.9	0.0	4.5
Syndication	4.9	13.1	5.4	0.0	3.4	3.4	3.0	4.5
Tax Abatement	16.4	36.1	16.2	36.5	10.1	16.0	10.6	31.8
Taxable Bonds	6.6	16.4	2.7	10.8	3.4	5.9	1.5	9.1
Venture Capital	1.6	16.4	2.7	13.5	0.0	5.9	1.5	1.5
CAPACITY IMPROVEMENT								
Assignment of Air Rights	6.6	26.2	0.0	17.6	0.0	13.4	1.5	4.5
Building Construction/Renovation	19.7	32.8	18.9	14.9	16.0	16.8	9.1	19.7
Daycare Assistance	6.6	11.5	2.7	2.7	2.5	5.9	4.5	4.5
Development Fees (linkage)	4.9	14.8	5.4	9.5	5.9	16.8	1.5	10.6
Employee Training/Retraining	50.8	39.3	35.1	24.3	14.3	20.2	16.7	24.2
Entrepreneurial Assistance	24.6	36.1	17.6	36.5	11.8	18.5	16.7	21.2
Infrastructure Improvements	62.3	31.1	52.7	31.1	45.4	30.3	33.3	37.9
Land Acquisition	36.1	39.3	27.0	40.5	21.8	36.1	9.1	30.3
Land Clearance	32.8	42.6	27.0	36.5	17.6	26.9	6.1	19.7
Land Condemnation	24.6	39.3	20.3	36.5	10.9	29.4	3.0	16.7
Leasing of Land to Developers	19.7	27.9	5.4	27.0	3.4	21.8	13.0	10.6
Local Survey of Business Needs	31.1	34.4	20.3	29.7	14.3	29.4	16.7	28.8
Lot Consolidation	23.0	34.4	18.9	27.0	10.9	19.3	1.5	16.7
One Stop Business Center (permitting)	31.1	11.5	18.9	10.8	26.1	5.0	18.2	16.7
Procurement Assistance	18.0	31.1	6.8	18.9	3.4	11.8	1.5	13.6
Relaxation of Building or Zoning Regs.	1.6	23.0	2.7	21.6	2.5	15.1	3.0	16.7
Relaxation of Environmental Regs.	0.0	3.3	0.0	4.1	0.8	0.8	0.0	6.1
Relocation of Residents & Business from Redev. Areas	31.1	28.5	21.6	38.2	14.3	33.6	4.5	9.1
Sale of Land to Developers	34.4	37.7	32.4	43.2	15.1	34.5	13.6	30.3
Special Purpose Zoning	8.2	29.5	5.4	24.3	5.9	27.7	7.6	22.7
Strategic Planning	39.3	32.8	27.0	25.7	23.5	16.0	21.2	24.2
MARKET EXPANSION								
Advertising	32.8	39.3	27.0	37.8	15.1	33.6	18.2	36.4
Export Assistance	9.8	13.1	6.8	12.2	1.7	5.0	1.5	13.6
Marketing Strategy	42.6	37.7	35.1	29.7	18.5	26.9	31.8	22.7
Promotional Missions (domestic)	21.3	36.1	17.6	27.0	5.9	29.4	15.2	21.2
Trade Missions Abroad	11.5	55.7	1.4	21.6	2.5	6.7	3.0	10.6

200,000. Sixty nine small cities, 116 small-mid, 76 mid-large, and 61 large cities responded to the survey tool question. The higher number of small-mid cities among the respondents means that this size category is more dominant than any other in the aggregate analysis. The figures for 1986 tool usage, broken down by city size, appear in Table III-1.

The data in Table III-1 reveal one very important truth about the use of economic development tools: on the average, larger cities use more tools, more extensively than do smaller cities. The population size of a city is then, an important component of tool use.

This is most easily seen when the figures for large cities are compared to the figures for small cities. When the occasional and extensive use columns are combined to produce a single 1986 use figure, a higher proportion of large cities use all but one of the tools. The sole exception is a low use tool: the relaxation of environmental regulations. Other than this one instance, more large cities use the tools than do their small counterparts. This is clearly seen in the case of employee training/retraining. A total of 90.1% of the large cities were engaged in employee training in 1986. For small cities, the figure was 40.9%. Of course, the difference in usage rates is not this great in most instances. And, in a few cases, the gap is relatively narrow. Tax abatement demonstrates this quite handily. It is one of the tools used at approximately the same rate regardless of city size. While five out of ten large cities were using tax abatement in 1986, so were four out of ten small cities.

When the two groups of medium-sized cities are included in the analysis, the large-small distinctions become less clear-cut. Few of the tools exhibit the usage pattern shown by land condemnation or direct cash contribution where use percentage increases as city population size increases. The medium-sized cities have populations between that of the large and small cities but their use of economic development tools is not quite as predictable. For example, given the popularity of tax abatement in the rest of the cities, it is surprising to find that the small-mid-sized cities, comparatively, use it less. Daycare assistance is not among the widely-used economic development tools but it is used by more small cities than by either of the two medium-sized city categories. Therefore, although the difference between the large (greater than 200,000 population

cities) and the small (less than 50,000 cities) is distinct, the usage patterns of the medium-sized cities are less predictable.

In the following sections, the 1986 economic development tool usage of each of the four city size groups is described.

Large Cities

As noted, large cities are the most active users of economic development tools. Only one tool has a 1986 usage rate (combining extensive and occasional) of less than 10% (relaxation of environmental regulations).

If a 40% extensive use rate is considered an indicator of widespread reliance, then five tools predominate among large cities: infrastructure improvements, tax-exempt bonds, employee training, revolving loan funds, and marketing strategy. These broad-ranged tools represent a mix of purposes and seem to define the economic development environment of America's large cities.

At a slightly lower level of usage are nine other tools extensively used by between 30% and 40% of the large cities. These tools are: strategic planning, land acquisition, sale of land to developers, land clearance, advertising, direct loans to private business, relocation of residents and businesses from redevelopment areas, one stop business permitting centers, and local survey of business needs. These are primarily capacity improvement tools.

It is the large cities that statistically influence the usage rates found in Table II-1 in the preceding chapter. Were large cities removed from the analysis, usage rates would decline rather dramatically. Foreign trade zones are a graphic example. Over fifty percent of the large cities report using them in 1986; the next highest use of foreign trade zones is in mid-large cities and the rate is 20.3%. The forceful role of the large cities is seen as well in the use of the relatively unpopular tools. Syndication is seldom used, but when it is, it is most likely done in a large city. The same is true for procurement assistance.

Mid-Large Cities

Mid-large cities use a similar collection of tools as do the large cities but, in many cases, at a substantially lower rate. Employing the 40% extensive use rate as a measure of reliance eliminates all but one tool, infrastructure improvements. It is the only tool consistently used by at least 40% of the mid-large cities. Only tax-exempt bonds, revolving loan funds, marketing strategy, land sales to developers, and job training are used extensively by as many as 30% of the cities. Thus, in the same extensive use range (30% or more), large cities are using fourteen different tools, mid-large cities are using six of them. So although the approach to economic development in mid-large cities involves a blend of cost reduction, capacity improvement, and market expansion, it is not as rich a blend as is found in large cities.

Small-Mid Cities

The overall decline in tool usage rates continues among the small-mid size cities. As with the mid-large cities, only infrastructure improvements occur at a 40% extensive use rate. There is an even greater drop-off, however, because no tools are used extensively in the 30% to 40% range. Only four tools, tax-exempt bonds, one stop business permitting centers, strategic planning, and land acquisition are used extensively by more than 20%.

There is, however, an interesting mix of tools used by these cities with populations of 50,000 to 100,000. Infrastructure, tax-exempt bonds, and land acquisition are relatively standard, but to include one stop business permitting centers and strategic planning among the five most popular tools is rather unusual. Not only is the economic development landscape less active, there is a different cast to the activity that does occur.

Small Cities

There is no economic development tool used extensively by 40% of the small cities. Two tools are extensively used by at least 30% of the small cities: infrastructure improvements and marketing strategy. Tax-exempt bonds, historic preservation, and strategic planning are the three tools that between 20% and 30% of the small cities use

extensively. The preponderance of extensive usage rates is below 10%, indicating that small cities as a group do not place heavy reliance on any given tool or set of tools.

Small cities use some tools more than the small-mid size cities. For example, more small cities use historic preservation and entrepreneurial assistance than do the small-mid cities. On the whole, however, a limited level of activity characterizes the small cities, taken as a group.

(2) Region and Tool Use

The cities in the sample have been separated into Census regional divisions. New England includes Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, and Connecticut. The Mid-Atlantic includes New York, New Jersey, and Pennsylvania. The East North Central region is Ohio, Indiana, Illinois, Michigan, and Wisconsin. The West North Central includes Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska, and Kansas. The South Atlantic includes Delaware, Maryland, District of Columbia, Virginia, West Virginia, North Carolina, South Carolina, Georgia, and Florida. The East South Central region is Kentucky, Tennessee, Alabama, and Mississippi. The West South Central includes Arkansas, Louisiana, Oklahoma, and Texas. Mountain includes Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, and Nevada. The Pacific region is Washington, Oregon, California, Alaska, and Hawaii.

Responding to the survey were: 22 New England cities, 22 Mid-Atlantic cities, 61 East North Central cities, 32 West North Central cities, 53 South Atlantic cities, 19 East South Central cities, 28 West South Central cities, 31 Mountain cities, and 54 Pacific cities. Three areas are slightly overrepresented among the respondents. The East North Central group makes up 19.1% of the respondents, the Pacific 16.9%, and the South Atlantic 16.1%. The three areas somewhat under-represented in terms of the sample are New England cities (6.9%), Mid-Atlantic cities (6.9%), and East South Central cities (5.9%).

The data presented in Table III-2 reflect the percentage of cities in these Census divisions reporting either extensive or occasional use of a tool in 1986.

TABLE III-2 1986 TOOL USAGE BY REGION

TOOLS	NEW ENGLAND		MID ATLANTIC		EAST NORTH CENTRAL		WEST NORTH CENTRAL		SOUTH ATLANTIC		EAST SOUTH CENTRAL		WEST SOUTH CENTRAL		MOUNTAIN		PACIFIC	
	EXT.	OCC.	EXT.	OCC.	EXT.	OCC.	EXT.	OCC.	EXT.	OCC.	EXT.	OCC.	EXT.	OCC.	EXT.	OCC.	EXT.	OCC.
COST REDUCTION																		
Deferred Tax Payments	9.1	9.1	0.0	13.6	1.6	8.2	3.1	15.6	0.0	5.7	11.8	5.9	3.6	10.7	0.0	9.7	0.0	0.0
Direct Cash Contribution to Project	9.1	36.4	13.6	22.7	6.6	24.6	6.3	43.8	3.8	37.7	11.8	29.4	7.1	17.9	6.5	38.7	9.3	27.8
Direct Loans to Private Business	18.2	36.4	45.5	27.3	29.5	24.6	9.4	46.9	18.9	26.4	11.8	35.3	7.1	14.3	6.5	29.0	5.6	27.8
Donation of Land to Developers	4.5	9.1	0.0	18.2	1.6	9.8	3.1	21.9	0.0	13.2	0.0	11.8	0.0	7.1	0.0	6.5	0.0	7.4
Donations of Unused Real Property	0.0	18.2	9.1	36.4	1.6	29.5	3.1	18.8	3.8	17.0	11.8	23.5	3.6	14.3	6.5	25.8	3.7	3.7
Foreign Trade Zones	4.5	13.6	0.0	31.8	3.3	11.5	9.4	15.6	7.5	11.3	5.9	35.3	14.3	17.9	3.2	19.4	0.0	7.4
Historic Preservation Designation	27.3	27.3	50.0	36.4	16.4	34.4	18.8	40.6	20.8	35.8	52.9	23.5	17.9	46.4	12.9	38.7	9.3	24.1
In-Kind Payment	4.5	9.1	9.1	18.2	4.9	11.5	3.1	28.1	9.4	22.6	0.0	29.4	3.6	14.3	3.2	22.6	1.9	14.8
Issuance of Tax-Exempt Bonds	31.8	22.7	54.5	27.3	36.1	34.4	46.9	37.5	34.0	34.0	41.2	35.3	39.3	39.3	35.5	41.9	14.8	42.6
Land Write-Downs	22.7	9.1	18.2	36.4	8.2	21.3	15.6	40.6	3.8	18.9	0.0	17.6	0.0	10.7	3.2	25.8	20.4	25.9
Loan Guarantees	0.0	22.7	13.6	31.8	1.6	26.2	15.6	31.3	5.7	24.5	0.0	17.6	0.0	7.1	3.2	16.1	9.3	22.2
Loan Subsidies	9.1	22.7	22.7	27.3	14.8	18.0	18.8	31.3	17.0	17.0	11.8	11.8	7.1	7.1	3.2	22.6	5.6	33.3
Revolving Loan Funds	31.8	22.7	50.0	18.2	37.7	19.7	21.9	25.0	22.6	20.8	23.5	23.5	14.3	28.6	16.1	32.3	22.2	13.0
Sale-Lease Back	0.0	4.5	0.0	9.1	0.0	6.6	6.3	15.6	1.9	20.8	5.9	11.8	0.0	0.0	3.2	9.7	1.9	5.6
Shared Equity	4.5	9.1	4.5	31.8	1.6	8.2	3.1	15.6	3.8	13.2	0.0	23.5	3.6	7.1	0.0	3.2	1.9	9.3
Syndication	4.5	9.1	18.2	0.0	3.3	6.6	9.4	0.0	3.8	5.7	5.9	11.8	0.0	11.7	0.0	0.0	0.0	1.9
Tax Abatement	13.6	31.8	40.9	40.9	23.0	41.0	25.0	34.4	3.8	15.1	11.8	41.2	10.7	35.7	0.0	25.8	0.0	7.4
Taxable Bonds	0.0	13.6	13.6	13.6	1.6	8.2	12.5	28.1	1.9	7.5	5.9	17.6	0.0	7.1	0.0	0.0	1.9	3.7
Venture Capital	0.0	13.6	0.0	13.6	1.6	11.5	3.1	12.5	0.0	9.4	5.9	0.0	3.6	10.7	0.0	6.5	0.0	1.9
CAPACITY IMPROVEMENT																		
Assignment of Air Rights	0.0	9.1	0.0	13.6	3.3	14.8	3.1	21.9	0.0	20.8	0.0	11.8	3.6	21.4	0.0	9.7	1.9	9.3
Building Construction/Renovation	9.1	22.7	13.6	22.7	19.7	18.0	21.9	25.0	13.2	18.9	35.3	23.5	10.7	7.1	12.9	16.1	13.0	25.9
Daycare Assistance	4.5	4.5	9.1	4.5	3.3	4.9	3.1	9.4	3.8	5.7	5.9	5.9	3.6	3.6	0.0	6.5	3.7	7.4
Development Fees (linkage)	4.5	18.2	4.5	9.1	3.3	8.2	6.3	12.5	5.7	11.3	0.0	11.8	0.0	10.7	0.0	29.0	11.1	14.8
Employee Training/Retraining	45.5	13.6	40.9	27.3	21.3	26.2	21.9	37.5	26.4	26.4	23.5	47.1	28.6	21.4	29.0	35.5	20.4	11.1
Entrepreneurial Assistance	27.3	13.6	27.3	18.2	19.7	26.2	15.6	34.4	17.0	20.8	17.6	41.2	10.7	25.0	12.9	25.8	9.3	33.3
Infrastructure Improvements	45.5	31.8	45.5	36.4	54.1	24.6	53.1	28.1	50.9	32.1	47.1	35.3	53.6	25.0	32.3	51.6	42.6	33.3
Land Acquisition	0.0	50.0	36.4	40.9	29.5	31.1	37.5	37.5	22.6	39.6	29.4	29.4	10.7	21.4	16.1	32.3	20.4	44.4
Land Clearance	0.0	40.9	31.8	50.0	27.9	34.4	31.3	28.1	17.0	30.2	41.2	17.6	3.6	25.0	12.9	19.4	18.5	29.6
Land Condemnation	0.0	36.4	22.7	27.3	14.8	23.0	31.3	31.3	15.1	39.6	23.5	23.5	3.6	17.9	6.5	29.0	11.1	37.0
Leasing of Land to Developers	18.2	4.5	13.6	27.3	6.6	18.0	12.5	28.1	5.7	22.6	5.9	17.6	3.6	17.9	0.0	25.8	3.7	27.8
Local Survey of Business Needs	9.1	36.4	31.8	22.7	18.0	42.6	18.8	37.5	28.3	22.6	29.4	29.4	14.3	25.0	9.7	41.9	16.7	16.7
Lot Consolidation	0.0	13.6	27.3	31.8	11.5	29.5	21.9	21.9	13.2	24.5	11.8	17.6	10.7	14.3	3.2	19.4	16.7	25.9
One Stop Business Center (permitting)	18.2	9.1	27.3	9.1	23.0	11.5	18.8	12.5	22.6	9.4	5.9	11.8	25.0	21.4	32.3	12.9	29.6	0.0
Procurement Assistance	0.0	9.1	13.6	13.6	11.5	16.4	3.1	15.6	1.9	20.8	0.0	17.6	17.9	21.4	0.0	25.8	7.4	14.8
Relaxation of Building or Zoning Regs.	0.0	9.1	4.5	22.7	1.6	16.4	0.0	18.8	7.5	13.2	0.0	23.5	7.1	7.1	0.0	35.5	0.0	22.2
Relaxation of Environmental Regs.	0.0	4.5	0.0	0.0	0.0	4.9	0.0	6.3	0.0	0.0	0.0	5.9	0.0	3.6	0.0	3.2	1.9	1.9
Relocation of Residents & Business	4.5	27.3	22.7	27.3	27.9	29.5	31.3	28.1	5.7	43.4	23.5	23.5	3.6	10.7	12.9	22.6	18.5	31.5
Sale of Land to Developers	27.3	31.8	54.5	18.2	23.0	34.4	28.1	46.9	20.8	43.4	23.5	35.3	7.1	28.6	0.0	45.2	25.9	33.3
Special Purpose Zoning	9.1	27.3	13.6	18.2	1.6	23.0	9.4	28.1	13.2	26.4	0.0	23.5	3.6	25.0	9.7	35.5	1.9	27.8
Strategic Planning	22.7	31.8	36.4	22.7	26.2	19.7	40.6	18.8	22.6	22.6	41.2	17.6	17.9	25.0	29.0	35.5	20.4	20.4
MARKET EXPANSION																		
Advertising	27.3	36.4	27.3	45.5	21.3	36.1	21.9	31.3	22.6	37.7	23.5	41.2	21.4	25.0	29.0	45.2	13.0	33.3
Export Assistance	4.5	18.2	4.5	0.0	6.6	8.2	3.1	18.8	1.9	5.7	5.9	17.6	7.1	10.7	6.5	9.7	1.9	9.3
Marketing Strategy	22.7	27.3	36.4	40.9	32.8	26.2	31.3	37.5	28.3	26.4	41.2	17.6	25.0	32.1	38.7	22.6	20.4	29.6
Promotional Missions (domestic)	4.5	22.7	0.0	36.4	11.5	32.8	18.8	25.0	17.0	22.6	29.4	35.3	21.4	42.9	12.9	35.5	9.3	16.7
Trade Missions Abroad	4.5	9.1	9.1	9.1	1.6	18.0	3.1	21.9	5.7	20.8	5.9	35.3	3.6	25.0	6.5	29.0	1.9	18.5

Region is a useful lens through which to view the data. The usage rates in Table III-2 can be examined from two perspectives: across regions and within regions. The rows of the table provide a comparison of individual tool use in different regions of the country allowing one to determine how extensively the cities in one region use a specific tool compared to cities in another region. The columns of the table offer an indication of the way specific regions assemble packages of tools to tackle the economic development issue. Examining these columns provides a sense of regional style.

Use of economic development tools varies by region. This characteristic is evident from the first row in the table to the last. It is important, however, to separate the variation attributable to the popularity of the tools versus that which is a function of regional preference. Regardless of region, infrastructure and tax-exempt bonds are popular, whereas relaxation of environmental regulations is not. On the other hand, region is an important consideration in gauging the use of other tools such as those related to land development (lot consolidation, land condemnation, acquisition, and clearance). Land development tools are especially prominent in the Eastern part of the country, but their use tapers off somewhat in the West. Within the East however, some variation exists. For example, fewer New England cities use land development tools and at a far lower rate.

Although regional variation is a persistent condition, it is not consistent. For example, there is tremendous variation in the use of tax abatement. Compare the level of extensive use of tax abatement in regions like the Mid-Atlantic (40.9%) with the Mountain (0.0%) and Pacific (0.0%) regions. Other cost reduction tools exhibit similar ranges. For example, loan guarantees and loan subsidies are used much more extensively in the Mid-Atlantic and West North Central than they are throughout the rest of the country.

While it is important not to overstate regional variation (the usage rates of some tools do not vary substantially from one region to another), generally, tool usage is much more prevalent in some regions than in others. Cities in the Mountain and Pacific regions typically use economic development tools at a lower-than-average rate; cities in the Mid-Atlantic appear to have embraced the use of the tools wholeheartedly. Undoubtedly, there are many reasons for these usage patterns. Focusing on region as an entity will help elucidate the differing approaches and emphases across the nation.

New England

Like cities around the country, New England cities use infrastructure improvements and tax-exempt bonds to promote economic development. Compared to other cities, however, they are more heavily involved in employee training/retraining and in revolving loan funds. They only show significant involvement (25% or more reporting extensive use) with four other tools: historic preservation, the sale of land to developers, entrepreneurial assistance, and advertising. Overall, New England cities tend to be more resistant to the use of economic development tools than most other sections of the country. Thirteen of the tools have zero percent of the cities reporting extensive use. Another seventeen are used extensively by fewer than 10% of the cities.

Mid-Atlantic

The cities of the Mid-Atlantic area use an array of tools and use them extensively. This region stands in sharp contrast to its neighbors in New England. Mid-Atlantic cities use cost reduction strategies more than any region in the country. Over 40% of the cities in the region report extensive use of tax-exempt bonds, revolving loan funds, historic preservation, direct loans to private business, and tax abatement. More than anywhere else in the country, the Mid-Atlantic cities experiment with syndication. The use of capacity improvement mechanisms is less prevalent (only sale of land to developers, infrastructure improvements, and employee training/retraining are extensively used by 40% or more of the cities), but compared to other regions, it is still very strong. The tendency toward experimentation is great. Even in instances where extensive use of a tool is comparatively low, there is a comparatively high degree of occasional use.

East North Central

East North Central cities tend toward the middle, that is, they resemble the aggregate sample. There are few extremes, either in relative over-use or under-use of the tools. As a consequence, the cities of the East North Central region have fairly conventional economic development approaches. They use tax-exempt bonds, revolving loan funds, and direct loans as cost reduction strategies. They invest in infrastructure improvements, land acquisition and clearance, along with relocation of businesses and residents for

capacity improvement. To expand the market, they rely on marketing strategy and advertising. Overall, the East North Central cities vary little from the national pattern of tool use.

West North Central

Three tools are extensively used by more than 40% of the cities in the West North Central region. In addition to the predictable use of infrastructure improvements and tax-exempt bonds, many West North Central cities use strategic planning. In only one other region is strategic planning being used to such an extent by so many cities. Land development tools (specifically, land condemnation, acquisition, clearance, and sale to developers and relocation of business and residents) are used extensively by 25% or more of the cities in the region. The other distinguishing features of the economic development scene in the West North Central region include a high level (compared to other regions) of experimentation with development fees and three cost reduction techniques: loan guarantees, sale-lease back, and taxable bonds.

South Atlantic

Other than infrastructure improvements, the South Atlantic cities are characterized by a relatively average reliance on economic development tools. They tend to use the issuance of tax-exempt bonds as a cost reduction tool, infrastructure improvements, employee training/retraining, and local survey of business needs as capacity improvement mechanisms, and marketing strategy to expand their market. Compared to other cities, the South Atlantic cities have avoided, for the most part, extensive use of tax abatement and land write-downs. Fewer cities in the region are engaged in relocating businesses and residents from areas to be developed.

East South Central

More cities in the East South Central region use historic preservation extensively than use infrastructure improvements or tax-exempt bonds. This makes the region unique. Overall, the cities in the region rely on capacity improvement and market expansion more than cost reduction strategies. The East South Central region has a higher proportion of

cities than any other region reporting the extensive use of tools such as building construction/renovation, land clearance, strategic planning, marketing strategy, and domestic promotional missions. There is a degree of selectivity operating in the region, also. Ten tools have no reports of extensive use in any of the cities in the region.

West South Central

One of the notable features of the West South Central region is the relatively extensive use of foreign trade zones given the relatively limited use of land development tools. Cities in the region are, in some cases, less involved in developmental land activities than are cities in New England. Lot consolidation, land condemnation, acquisition, clearance and sale to developers, and relocation are not extensively used by the West South Central cities. Neither are these cities extensively engaged in related cost reduction activities. West South Central cities typically do not use land write-downs or donation of land to developers. In general, the cities in the region tend to have lower-than- average usage rates for the standard set of tools. Two instances in which they lead, however, are procurement assistance and export assistance.

Mountain

Mountain cities generally do not embrace economic development tools, and Table III-2 displays may zero percentages in the "extensive" use column. In addition to the fifteen tools that none of the cities in the region use extensively, an equal number of tools are used extensively by less than 10% of the cities. In other words, two-thirds of the available economic development tools experience very limited use in the Mountain region. The tools that are popular in the region are the conventional ones: tax-exempt bonds, infrastructure improvements, employee training/retraining, and marketing strategy. There is one exception to the pattern of limited use. Mountain cities use one stop business permitting centers more extensively than any other region.

Pacific

The Pacific cities are characterized by the relatively low use of some of the most popular tools. Compared to the rest of the nation, cities in the region report the lowest extensive use rates for tax-exempt bonds, historic preservation, and advertising -- the

tools that form the core of the economic development efforts in other regions. The tool that may be the key to understanding the different economic development process in the region is development fees (linkage). Pacific cities use this tool more extensively than anywhere else in the country. Overall, Pacific cities do not use economic development tools very extensively. Only three tools are used extensively by 25% or more of the cities: infrastructure improvements, one stop business permitting center, and land sales to developers.

(3) City Distress Level and Tool Use

One of the prevailing arguments in local economic development theory is that distressed cities will more actively use the tools at their disposal than will nondistressed cities. The logic underlying this view is that use of the tools will ameliorate, somewhat, the distress that the cities are facing. Put another way, distressed cities "need" the tools; nondistressed cities do not. Some might argue that this view implies a fairly negative approach to tool usage and, if the tools are ameliorative, attributes a fairly shortsighted perspective to the leadership of the nondistressed cities. The merits of either argument notwithstanding, the issue is worth pursuing.

There are many distress measures. For this report, the distress measure developed by the U.S. Department of Housing and Urban Development for its Urban Development Action Grant (UDAG) program is the most appropriate. It is a current, comprehensive measure available for almost all of the cities in the sample. For UDAG purposes, cities are assigned qualification points based on the following factors: population growth 1960-1982, amount of poverty, age of housing, per capita income growth 1969-1981, job lag in retail and manufacturing sectors 1977-1982, unemployment rate, and degree of labor surplus. These factors allow for the differentiation of cities according to distress or, to take the opposite perspective, health and nine different distress categories arise. For the purposes of economic development, a distressed city is one that suffers a comparative disadvantage. A healthy city, on the other hand, enjoys a comparative advantage.

Eighteen cities in the sample are classified as the least distressed; 35 fall into the most distressed category. The seven categories between these two extremes include (in order of ascending distress): 28 cities, 46 cities, 36 cities, 27 cities (at the midlevel distress

TABLE III-3 1986 TOOL USAGE BY DISTRESS

	LEAST DISTRESSED						MIDLEVEL DISTRESS								MOST DISTRESSED	
	1		2		3		4		5		6		7		8		9	
	EXT.	OCC.	EXT.	OCC.	EXT.	OCC.	EXT.	OCC.	EXT.	OCC.	EXT.	OCC.	EXT.	OCC.	EXT.	OCC.	EXT.	OCC.
COST REDUCTION																		
Deferred Tax Payments	0.0	11.1	0.0	0.0	4.3	6.5	5.6	5.6	0.0	7.4	0.0	6.1	2.5	15.0	3.7	11.1	2.9	5.7
Direct Cash Contribution to Project	11.1	27.8	7.1	35.7	2.2	28.3	8.3	30.6	0.0	44.4	6.1	39.4	10.0	20.0	14.8	33.3	14.3	34.3
Direct Loans to Private Business	5.6	11.1	3.6	39.3	0.0	21.7	5.6	22.2	11.1	37.0	21.2	39.4	25.0	37.5	29.6	44.4	54.3	20.0
Donation of Land to Developers	0.0	0.0	3.6	3.6	0.0	8.7	2.8	11.1	0.0	11.1	0.0	6.1	0.0	22.5	3.7	33.3	0.0	11.4
Donations of Unused Real Property	5.6	11.1	7.1	10.7	0.0	10.9	2.8	13.9	0.0	33.3	3.0	18.2	0.0	30.0	11.1	29.6	11.4	34.3
Foreign Trade Zones	0.0	0.0	3.6	14.3	6.5	6.5	2.8	16.7	3.7	7.4	12.1	21.2	7.5	17.5	7.4	40.7	2.9	25.7
Historic Preservation Designation	5.6	22.2	7.1	35.7	13.0	32.6	13.9	36.1	18.5	18.5	21.2	33.3	45.0	30.0	37.0	44.4	28.6	57.1
In-Kind Payment	0.0	22.2	3.6	25.0	6.5	21.7	2.8	13.9	3.7	7.4	6.1	24.2	2.5	17.5	11.1	29.6	5.7	11.4
Issuance of Tax-Exempt Bonds	16.7	38.9	32.1	39.3	32.6	43.5	27.8	38.9	33.3	29.6	36.4	39.4	52.5	22.5	48.1	33.3	45.7	37.1
Land Write-Downs	16.7	11.1	7.1	25.0	8.7	19.6	8.3	19.4	0.0	25.9	18.2	18.2	12.5	22.5	14.8	40.7	14.3	40.0
Loan Guarantees	5.6	16.7	3.6	14.3	2.2	17.4	5.6	13.9	3.7	14.8	0.0	39.4	5.0	30.0	14.8	25.9	17.1	40.0
Loan Subsidies	0.0	27.8	7.1	25.0	4.3	15.2	2.8	22.2	11.1	11.1	15.2	21.2	17.5	25.0	37.0	25.9	25.7	37.1
Revolving Loan Funds	0.0	22.2	14.3	28.6	8.7	21.7	13.9	16.7	22.2	29.6	33.3	24.2	47.5	17.5	48.1	25.9	60.0	17.1
Sale-Lease Back	0.0	5.6	3.6	3.6	0.0	10.9	2.8	11.1	7.4	3.7	3.0	15.2	0.0	15.0	3.7	18.5	0.0	8.6
Shared Equity	0.0	11.1	7.1	3.6	2.2	4.3	0.0	16.7	3.7	7.4	3.0	12.1	2.5	10.0	0.0	40.7	5.7	17.1
Syndication	0.0	0.0	0.0	0.0	0.0	2.2	0.0	5.6	7.4	0.0	12.1	9.1	5.0	7.5	14.8	7.4	2.9	11.4
Tax Abatement	0.0	11.1	3.6	10.7	10.9	10.9	8.3	30.6	3.7	18.5	9.1	33.3	10.0	47.5	25.9	37.0	37.1	45.7
Taxable Bonds	0.0	0.0	0.0	3.6	0.0	6.5	2.8	5.6	3.7	7.4	6.1	15.2	5.0	12.5	11.1	22.2	5.7	14.3
Venture Capital	0.0	5.6	0.0	3.6	0.0	10.9	2.8	5.6	0.0	3.7	6.1	3.0	0.0	12.5	3.7	25.9	0.0	14.3
CAPACITY IMPROVEMENT																		
Assignment of Air Rights	0.0	0.0	0.0	7.1	0.0	15.2	0.0	13.9	0.0	11.1	3.0	24.2	5.0	22.5	3.7	22.2	2.9	22.9
Building Construction/Renovation	5.6	16.7	17.9	17.9	2.2	17.4	19.4	19.4	14.8	18.5	9.1	24.2	25.0	22.5	29.6	33.3	31.4	17.1
Daycare Assistance	0.0	11.1	7.1	3.6	0.0	8.7	5.6	2.8	3.7	3.7	3.0	0.0	2.5	12.5	14.8	11.1	2.9	2.9
Development Fees (linkage)	5.6	22.2	3.6	14.3	6.5	8.7	2.8	16.7	7.4	11.1	3.0	24.2	7.5	7.5	3.7	18.5	5.7	11.4
Employee Training/Retraining	5.6	16.7	14.3	28.6	13.0	23.9	25.0	25.0	25.9	18.5	39.4	24.2	42.5	25.0	44.4	33.3	34.3	42.9
Entrepreneurial Assistance	5.6	16.7	3.6	17.9	10.9	19.6	5.6	25.0	22.2	29.6	24.2	33.3	20.0	32.5	29.6	37.0	28.6	25.7
Infrastructure Improvements	38.9	27.8	35.7	46.4	45.7	28.3	47.2	25.0	48.1	37.0	69.7	24.2	50.0	30.0	55.6	44.4	62.9	28.6
Land Acquisition	16.7	27.8	17.9	46.4	15.2	32.6	16.7	33.3	14.8	40.7	39.4	39.4	20.0	42.5	48.1	44.4	40.0	37.1
Land Clearance	16.7	16.7	14.3	35.7	13.0	26.1	16.7	33.3	11.1	25.9	33.3	33.3	15.0	40.0	33.3	40.7	45.7	37.1
Land Condemnation	5.6	38.9	7.1	42.9	4.3	23.9	13.9	30.6	14.8	25.9	24.2	39.4	12.5	35.0	29.6	33.3	28.6	28.6
Leasing of Land to Developers	0.0	16.7	7.1	17.9	4.3	23.9	0.0	13.9	3.7	29.6	12.1	21.2	12.5	30.0	7.4	33.3	17.1	25.7
Local Survey of Business Needs	0.0	16.7	17.9	32.1	8.7	45.7	16.7	16.7	11.1	25.9	24.2	36.4	30.0	27.5	40.7	29.6	28.6	31.4
Lot Consolidation	11.1	22.2	10.7	17.9	4.3	21.7	11.1	19.4	11.1	22.2	30.3	27.3	15.0	20.0	14.8	48.1	22.9	31.4
One Stop Business Center (permitting)	27.8	0.0	25.0	10.7	17.4	13.0	22.2	8.3	11.1	11.1	27.3	9.1	35.0	5.0	33.3	22.2	20.0	8.6
Procurement Assistance	0.0	5.6	0.0	7.1	0.0	26.1	11.1	16.7	7.4	7.4	6.1	18.2	7.5	12.5	22.2	29.6	11.4	31.4
Relaxation of Building or Zoning Regs.	0.0	27.8	0.0	28.6	2.2	17.4	0.0	13.9	3.7	14.8	0.0	18.2	10.0	17.5	3.7	14.8	0.0	17.1
Relaxation of Environmental Regs.	0.0	0.0	0.0	3.6	0.0	8.7	0.0	5.6	0.0	0.0	0.0	0.0	2.5	2.5	0.0	0.0	0.0	2.9
Relocation of Residents & Business	11.1	22.2	21.4	28.6	8.7	23.9	8.3	36.1	11.1	29.6	30.3	21.2	15.0	45.0	25.9	29.6	40.0	37.1
Sale of Land to Developers	11.1	16.7	17.9	32.1	17.4	41.3	8.3	47.2	7.4	40.7	30.3	39.4	30.0	35.0	40.7	33.3	48.6	37.1
Special Purpose Zoning	5.6	33.3	3.6	21.4	8.7	32.6	5.6	38.9	7.4	18.5	3.0	24.2	12.5	22.5	7.4	25.9	2.9	25.7
Strategic Planning	27.8	11.1	25.0	28.6	30.4	17.4	22.2	30.6	25.9	14.8	24.2	27.3	25.0	32.5	44.4	11.1	34.3	20.0
MARKET EXPANSION																		
Advertising	16.7	33.3	17.9	39.3	13.0	26.1	33.3	25.0	14.8	29.6	15.2	45.5	25.0	40.0	37.0	48.1	31.4	40.0
Export Assistance	0.0	5.6	3.6	3.6	2.2	4.3	5.6	11.1	3.7	11.1	3.0	15.2	7.5	5.0	7.4	25.9	8.6	11.4
Marketing Strategy	27.8	16.7	14.3	35.7	17.4	28.3	36.1	27.8	22.2	18.5	27.3	33.3	37.5	22.5	44.4	37.0	45.7	31.4
Promotional Missions (domestic)	5.6	22.2	14.3	17.9	6.5	26.1	19.4	27.8	11.1	25.9	6.1	27.3	20.0	25.0	25.9	48.1	14.3	37.1
Trade Missions Abroad	0.0	16.7	7.1	10.7	2.2	17.4	2.8	25.0	3.7	11.1	6.1	21.2	5.0	20.0	11.1	40.7	2.9	31.4

point), 33 cities, 40 cities, and 27 cities. Table III-3 presents tool usage data by distress category.

The data in Table III-3 confirm the widely-held notion that more distressed cities use economic development tools and use them more extensively than do nondistressed cities. Comparing the left-most column of figures to the right-most column makes the point abundantly clear. It is not an exactly linear relationship, however. That is, the use percentages in the columns do not increase as the level of distress increases. (Were it not for the "overuse" by one distress group, the extensive use of revolving loan funds would exhibit linearity.) Some variation does exist. As a general rule, however, greater distress does signify higher tool use.

Distress level does not affect the use of some tools. Regardless of distress level, cities are not making extensive use of shared equity arrangements, venture capital, donation of land to developers, assignment of air rights, or relaxation of environmental regulations.

To simplify discussion of the data in Table III-3, the nine distress categories can be considered as three composite classifications. The low distress grouping includes columns 1 - 3, mid-level distress is made up of columns 4 - 6, and high distress includes columns 7 - 9. The ensuing discussion is an interpolation of the nine columns of data in Table III-3.

Low Distress Cities

Cities in the low distress grouping use fewer economic development tools and use them less extensively than cities in other distress groupings. This tendency is firmly established among the least distressed grouping but it characterizes the rest of the low distress cities as well. Economic development in low distress cities focuses on two tools: tax-exempt bonds and infrastructure improvements. To a lesser extent, they use strategic planning and one stop business permitting centers. Beyond these activities, low distress cities tend toward occasional use of economic develoment tools. Even at the occasional level of use, the numbers are relatively low. This is true regardless of whether the tool is aimed at cost reduction, capacity improvement, or market expansion. One can conclude, therefore, that economic development is not an activity in which low distress cities typically engage. This lends support to the argument that the use of economic development tools is inversely related to a city's economic health.

Mid-level Distress Cities

With respect to using economic development tools, the mid-level distress cities stand between the limited use that low distress cities make of the tools and the relatively extensive use by high distress cities. The extensive use by mid-level distress cities of direct loans to business, revolving loan funds, historic preservation, and local survey of business needs follows this pattern. In using some of the other tools however, e.g., loan guarantees and donation of unused real property, the mid-level distress cities behave more like low distress cities. As a general rule, the mid-level distress cities tend toward a moderate level of tool use.

One group within the mid-level cluster is worth examining more closely. Its usage rates are in column six of Table III-3. Cities in this group use foreign trade zones, land write-downs, lot consolidation, and infrastructure improvements more extensively than any other distress group. They are more aggressive with these techniques than even the most distressed cities. One explanation for this may be that mid-level distress cities are take preemptive maintenance actions to guard against greater distress.

High Distress Cities

The most extensive use of economic development tools is found among the high distress cities. In virtually every case, the greatest tool reliance (that is, a high percentage of extensive use) occurs in one of the three high distress groups. They outpace their lesser distressed counterparts quite dramatically in some instances. For example, over half of the most distressed cities extensively use a tool -- direct loans to business -- that involves substantial city involvement in the private sector. One third of the most distressed cities extensively use a technique -- tax abatement -- that affects the revenue pool available for public services. Thus, not only can it be said that the high distress cluster uses many tools quite extensively, they also use a package of interventionist tools.

High distress cities use other cost reduction tools such as loan subsidies, tax-exempt bonds, revolving loan funds, and historic preservation. For capacity improvement, they

opt for infrastructure improvements and land development tools. Also popular among highly distressed cities are building construction/renovation, employee training/retraining, one stop business permitting centers, local surveys of business needs, entrepreneurial assistance and strategic planning. For market expansion, they rely on adverstising and marketing strategies. The high distress cities are actively attempting to reverse their fortunes.

Surprisingly, these cities are not using some of the more innovative tools at a high rate. Granted, they use them at perhaps double the rate of lesser distressed places, but regardless, the actual proportions are fairly low. This is true of shared equity, sale lease-back, syndication, venture capital, and foreign trade zones, among the cost reduction tools. For capacity improvement, few high distress cities are assigning air rights or using special purpose zoning. And for market expansion, the globally-oriented tools, trade missions abroad and export assistance, lag behind. Therefore, although the high distress cities are the most active, they tend to rely on the more conventional economic development techniques.

(4) Economic Structure and Tool Use

A final city characteristic likely to influence economic development policy is economic structure or mix. A knowledge of the local economy and its components is one of the keys to establishing an effective economic development strategy. The Census uses eleven different sectors: agriculture, forestry/ fisheries, mining, construction, manufacturing, transportation/ communications/other public utilities, wholesale trade, retail trade, finance/insurance/real estate, services, and public administration. Nationally, three sectors dominate local economies: 31% of the civilian workforce is employed in the service sector, 21% in manufacturing, and 17% in retail. Using the national average as the standard, each city over 100,000 in population was categorized according to the relative importance of the service, manufacturing, and retail sectors. Importance was measured by the percentage of the civilian workforce employed in each of the three sectors.

Seven identifiable groups exist among these cities. There are national mix cities whose proportional employment in services, manufacturing, and retail mirrors the national average. Service cities, on the other hand, are those in which service employment

dwarfs both manufacturing and retail. Cities that are labeled retail are those that differ from the national standard in that, after services, retail is the second most important activity, manufacturing the third. In manufacturing cities, the manufacturing sector is the dominant activity, services second, and retail a distant third. A cluster of cities that is comparable to but distinct from both the manufacturing and national mix clusters is called manufacturing/service. These cities have higher than average manufacturing employment, but maintain significant service and retail sectors.

During the categorization process one other sector emerged as important: public administration. In these government cities, the service sector prevails but the governmental sector is a strong second or third. The remaining cities do not fit into any of these categories but do not share enough characteristics to make them a substantively meaningful category. They are called unclassified.

As noted above, only cities with populations of 100,000 or more were classified according to their economic structure. This represents a subset of the original sample and means that the percentages are not comparable to the aggregate figures in Table II-1 in the previous chapter. There are 39 cities in the national mix category, 20 in service, 16 in manufacturing, 21 in retail, 5 in manufacturing/service, 19 in government, and 17 unclassifiable.

Two points should be taken into consideration. First, the small number of cities in the manufacturing/service category effectively renders the corresponding percentages problematic. Second, the unclassified category includes economically dissimilar cities, therefore no substantive meaning should be inferred from the percentages. Because of these limitations, neither the manufacturing/service cluster nor the unclassified cities will be discussed. The usage rates for the five remaining economic types are displayed in Table III-4.

As was evident with city population size, region, and distress, tool usage rates vary across the different types of city economies. The use of tax abatement is illustrative of the point. It is extensively used as the tool of choice among national mix and manufacturing cities averaging 31.3% and 28.2% respectively. It is not, however, widely used in government cities (5.3%), service cities (5.0%), or retail cities (0%). The tax abatement

TABLE III-4 1986 TOOL USAGE BY CITY ECONOMIC STRUCTURE

	NATIONAL MIX		MANUFACTURING		RETAIL		SERVICE		GOVERNMENT	
TOOLS	EXT.	OCC.	EXT.	OCC.	EXT.	OCC.	EXT.	OCC.	EXT.	OCC.
COST REDUCTION										
Deferred Tax Payments	2.6	12.8	0.0	12.5	4.8	0.0	0.0	20.0	0.0	10.5
Direct Cash Contribution to Project	10.3	41.0	18.8	25.0	0.0	28.6	10.0	40.0	10.5	36.8
Direct Loans to Private Business	35.9	28.2	37.5	31.3	14.3	33.3	20.0	40.0	26.3	42.1
Donation of Land to Developers	2.6	23.1	0.0	25.0	0.0	0.0	0.0	25.0	0.0	5.3
Donations of Unused Real Property	7.7	17.9	12.5	31.3	4.8	9.5	0.0	50.0	5.3	26.3
Foreign Trade Zones	10.3	28.2	0.0	25.0	14.3	28.6	10.0	35.0	5.3	15.8
Historic Preservation Designation	25.6	56.4	25.0	43.8	28.6	38.1	40.0	30.0	15.8	57.9
In-Kind Payment	15.4	15.4	0.0	18.8	0.0	19.0	0.0	35.0	0.0	47.4
Issuance of Tax-Exempt Bonds	66.7	20.5	37.5	31.3	28.6	66.7	45.0	40.0	47.4	31.6
Land Write-Downs	23.1	33.3	25.0	31.3	9.5	33.3	5.0	35.0	5.3	21.1
Loan Guarantees	5.1	41.0	6.3	31.3	4.8	28.6	15.0	30.0	15.8	21.1
Loan Subsidies	28.2	33.3	31.3	37.5	9.5	19.0	20.0	15.0	5.3	31.6
Revolving Loan Funds	51.3	25.6	43.8	12.5	19.0	28.6	55.0	20.0	36.8	21.1
Sale-Lease Back	0.0	15.4	0.0	6.3	0.0	4.8	10.0	10.0	0.0	31.6
Shared Equity	5.1	30.8	0.0	12.5	0.0	4.8	5.0	30.0	0.0	21.1
Syndication	10.3	2.6	6.3	12.5	0.0	9.5	0.0	10.0	5.3	0.0
Tax Abatement	28.2	35.9	31.3	50.0	0.0	38.1	5.0	45.0	5.3	26.3
Taxable Bonds	7.7	10.3	6.3	6.3	0.0	14.3	5.0	15.0	0.0	15.8
Venture Capital	2.6	17.9	6.3	18.8	0.0	0.0	0.0	20.0	5.3	10.5
CAPACITY IMPROVEMENT										
Assignment of Air Rights	5.1	23.1	0.0	31.3	0.0	9.5	10.0	30.0	0.0	21.1
Building Construction/Renovation	23.1	17.9	25.0	31.3	9.5	19.0	15.0	25.0	26.3	26.3
Daycare Assistance	5.1	7.7	0.0	0.0	0.0	14.3	0.0	5.0	10.5	5.3
Development Fees (linkage)	2.6	7.7	6.3	12.5	0.0	23.8	20.0	5.0	5.3	15.8
Employee Training/Retraining	41.0	35.9	50.0	31.3	33.3	33.3	70.0	20.0	36.8	26.3
Entrepreneurial Assistance	23.1	30.8	12.5	43.8	9.5	38.1	35.0	45.0	15.8	36.8
Infrastructure Improvements	64.1	30.8	68.8	12.5	52.4	38.1	60.0	40.0	52.6	36.8
Land Acquisition	41.0	41.0	62.5	18.8	9.5	52.4	25.0	55.0	31.6	31.6
Land Clearance	33.3	46.2	56.3	31.3	9.5	33.3	30.0	35.0	26.3	42.1
Land Condemnation	35.9	28.2	37.5	37.5	9.5	33.3	15.0	45.0	10.5	63.2
Leasing of Land to Developers	15.4	35.9	12.5	18.8	4.8	19.0	10.0	25.0	10.5	31.6
Local Survey of Business Needs	15.4	35.9	37.5	43.8	23.8	28.6	35.0	10.0	15.8	36.8
Lot Consolidation	23.1	25.6	31.3	25.0	9.5	28.6	25.0	30.0	21.1	52.6
One Stop Business Center (permitting)	23.1	12.8	37.5	6.3	28.6	9.5	10.0	5.0	26.3	15.8
Procurement Assistance	20.5	20.5	12.5	12.5	0.0	28.6	10.0	25.0	10.5	42.1
Relaxation of Building or Zoning Regs.	2.6	7.7	0.0	25.0	4.8	23.8	5.0	30.0	0.0	15.8
Relaxation of Environmental Regs.	0.0	0.0	0.0	12.5	0.0	4.8	0.0	5.0	0.0	5.3
Relocation of Residents & Business	38.5	30.8	50.0	25.0	14.3	42.9	15.0	45.0	5.3	47.4
Sale of Land to Developers	46.2	35.9	68.8	18.8	9.5	38.1	25.0	50.0	21.1	57.9
Special Purpose Zoning	5.1	28.2	6.3	12.5	0.0	33.3	15.0	25.0	5.3	26.3
Strategic Planning	38.5	23.1	25.0	31.3	19.0	33.3	40.0	30.0	31.6	36.8
MARKET EXPANSION										
Advertising	23.1	41.0	37.5	31.3	28.6	47.6	30.0	40.0	26.3	36.8
Export Assistance	7.7	20.5	12.5	6.3	4.8	4.8	10.0	10.0	5.3	0.0
Marketing Strategy	38.5	35.9	37.5	37.5	19.0	42.9	45.0	35.0	47.4	26.3
Promotional Missions (domestic)	23.1	25.6	12.5	31.3	19.0	23.8	20.0	35.0	15.8	36.8
Trade Missions Abroad	2.6	35.9	0.0	18.8	9.5	47.6	20.0	40.0	0.0	42.1

case presages the only discernible pattern among the cost reduction and capacity improvement approaches.

The national mix and manufacturing cities exhibit a higher level of tool use; the retail, service and government cities a lower rate. As usual, this general rule has exceptions, but the exceptions do not exhibit patterns. Government cities behave like national mix and manufacturing cities in some cases, e.g., the extensive use of building construction/renovation; in others such as historic preservation, the retail cities resemble the national mix and manufacturing city usages.

The economic structure of a city does not appear to be the determining factor in the choice of market expansion tools. An exploration of the use of economic development tools by structural type is illuminating.

National Mix

The national mix cities are active users of economic development tools. If a 40% extensive usage rate is the measure of reliance, then national mix cities rely upon tax-exempt bonds, infrastructure improvements, revolving loan funds, land acquisition, land sales to developers, and employee training/retraining. Tools in the 30-40% extensive usage range include: direct loans to private business, land condemnation, land clearance, relocation of residents and businesses from redevelopment areas, strategic planning, and marketing strategy.

If the national mix cities are considered the archetypal American city, then these data provide an answer to the query "what are U.S. cities doing to promote economic development?" The answer lies in the preceding list of tools. If a combined extensive and occasional use rate of 20% or below indicates what cities are <u>not</u> doing, then many economic development activities are being neglected by the typical city. The average U.S. city is not offering tax deferrals, creating sale-lease back arrangements, issuing taxable bonds, engaging in syndication, relaxing environmental or building regulations, providing daycare assistance, or imposing linkage-type development fees.

Manufacturing Cities

Manufacturing cities focus on capacity improvement tools for their economic development activities. The capacity improvement tools favored by manufacturing cities tend to involve land use. They include infrastructure improvement, land acquisition, land clearance, land sales to developers, and relocation of residents and businesses from redevelopment areas. The other capacity improvement tool relied upon by these cities is employee training/retraining. Revolving loan funds are the only cost reduction tool used at a similar rate. This suggests that the core of the economic development effort in manufacturing cities is substantively different from both the national mix cities and the retail cities.

Tools used by manufacturing cities are typically different from the traditional economic development tools. An examination of the less popular cost reduction tools in which manufacturing cities lead the other four groups is instructive. More manufacturing cities extensively use direct cash contribution to projects, donation of unused real property, and venture capital than do the other types of cities. This suggests a different orientation to economic development in manufacturing cities.

Retail Cities

For the most part, retail cities do not use economic development tools extensively. Infrastructure improvement is the only tool that meets the reliance test in retail cities. And, only one other tool, employee training/retraining is extensively used by as many as 30% of retail cities. Even the issuance of tax-exempt bonds, a staple of most local economic development programs, occurs extensively in only 28.6% of the retail cities. At the other extreme, as many as thirteen of the tools have combined extensive and occasional usage rates of less than 20%. What retail cities are doing in addition to improving their infrastructure and offering employee training and retraining programs is advertising, designating property as historic, creating one stop business permitting centers, and issuing tax-exempt bonds. Other tools are used on a much more sporadic basis. Retail cities are characterized, then, by fairly lean economic development programs.

Service Cities

Service cities distinguish themselves from the other types with their comparatively high use of employee training/retraining (70%), revolving loan funds (55%), marketing strategy (45%), strategic planning (40%), historic preservation (40%), entrepreneurial assistance (35%), trade missions abroad (20%), and development fees--linkage--(20%). The use of entrepreneurial assistance, trade missions abraod, and linkaging sets the service city apart from other cities. As a result, these cities address the economic development issue from a different perspective than do the national mix, retail, or manufacturing cities. The tools they use represent an interesting combination of cost reduction, capacity improvement, and market expansion approaches to economic development.

On the average, service cities are relatively selective in their use of tools. Over half of the tools are used extensively by less than 20%. There is a tendency toward occasional use.

Government Cities

Government cities rely on three economic development tools: infrastructure improvements, tax-exempt bonds, and marketing strategy. These tools form the core of a government city's economic development program. Beyond tax-exempt bonds, the only other cost reduction tool popular (30-40% extensive usage) with government cities is revolving loan funds. There is more activity among the capacity improvement tools. Infrastructure improvement is bolstered by employee training/retraining (36.8%), land acquisition (31.6%), and strategic planning (31.6%). The other tools available for market expansion (in addition to marketing strategy) are not widely used by government cities.

The selectivity in tool usage by service cities pales by comparison to government cities. Virtually three-quarters of the tools are used extensively by less than 20% of government cities. The economic development strategy of government cities seems to be concentrated, not diffuse. The three typically low usage tools preferred by government cities include: loan guarantees, building construction/renovation, and daycare assistance.

CHAPTER IV
ECONOMIC DEVELOPMENT TARGETS AND TOOL USE

The economic development tools discussed in Chapters II and III are used by city governments purposively. That is, the tools are expected to produce results. As such, the tools are related to "targets" or objectives.

There are various types of economic development targets. Geographic targets isolate an area of the city for development. Entrepreneurial targets focus upon different kinds of start-up enterprises. Business targets address both the flow and the maintenance of business activity in the community. Occupational targets conceive of economic development in terms of employment and labor rather than area, enterprise, or sector. In developing their economic development strategies, cities "target" preferred outcomes. Assessing the importance that cities place on different targets will reveal both the definition and direction of contemporary local economic development.

The survey pursued the targeting question by asking respondents to indicate the degree of importance that their city assigns to each of the economic development targets. Importance was measured on a five-item scale ranging from "very important" to "not important." A total of nineteen targets were listed in the survey: four geographic, five entrepreneurial, five business, and five occupational.

These nineteen targets are not mutually exclusive. For example, a city could be developing a major project along a waterfront in an industrial section of the downtown area. Is the geographic target the waterfront, the industrial area, or the downtown? It is probably more accurate to think of the project as tri-target. This target overlap occurs not only within the target types but across them as well. The major project described above is likely to involve business targeting and perhaps some occupational targeting. The survey allows the economic development professional to weigh the relative importance of these different targets in his or her city.

The data in Table IV-1 report importance levels for each target. At a glance, it is evident that the targets do not share comparable levels of importance.

TABLE IV-1 IMPORTANCE OF ECONOMIC DEVELOPMENT TARGETS

	VERY IMPORTANT	BETWEEN VERY AND MODERATELY IMPORTANT	MODERATELY IMPORTANT	BETWEEN MODERATELY AND NOT IMPORTANT	NOT IMPORTANT
GEOGRAPHIC TARGETS					
Downtown Redevelopment	75.6	10.3	9.0	1.3	3.9
Neighborhood Centers	22.5	11.2	37.3	13.4	15.6
Waterfront Development *	36.0	5.6	15.6	6.4	36.4
Industrial Areas	54.3	20.2	18.5	2.3	4.6
ENTREPRENEURIAL TARGETS					
High Tech Development	29.9	22.7	32.4	9.7	5.4
Small Business Development	51.2	26.9	19.9	0.3	1.7
Office Buildings	30.3	25.0	29.2	9.9	5.6
Minority Business Development	25.1	21.0	29.5	13.7	10.7
Community Development Corps. *	12.9	15.7	28.6	20.2	22.6
BUSINESS TARGETS					
Retain Existing Business	67.1	23.0	7.7	1.3	1.0
Expand Existing Business	66.0	23.6	8.1	1.6	0.6
Retool Existing Business *	20.7	23.4	24.1	16.1	15.7
Attract New Business	69.7	20.3	8.7	1.0	0.3
Diversify Business Mix	39.9	30.4	18.8	7.8	3.1
OCCUPATIONAL TARGETS					
Routine Operations *	15.9	26.9	43.7	5.7	7.8
Precision Operations *	16.0	30.9	40.7	6.2	6.2
Research and Development *	29.4	33.2	28.2	6.1	3.1
Central Administration *	21.6	32.7	33.9	7.3	4.5
Entrepreneurship *	26.7	37.2	31.0	2.3	2.7

* = response rate less than 85%

(1) The Targets: From Very Important to Not Important

Six targets are most frequently "very important" for city economic development efforts. The six and their "very important" percentages are downtown redevelopment (75.6%), attracting new business (69.7%), retaining existing business (67.1%), expanding existing business (66.0%), industrial areas (54.3%), and small business development (51.2%). These are the only targets that a majority of the respondents agree are very important. They form a distinct cluster; that is, their importance level is far and away greater than any of the other potential targets. The absence of any occupational targets among the very important targets suggests that economic development continues to be thought of in terms of place, enterprise, and sector.

Geographic Targets

Downtown is the favorite geographic target of American cities' economic development efforts in American cities. Fewer than 4% of the cities consider it "not important."

A target frequently thought to rival downtown development is neighborhood centers. The rivalry revolves around the allocation of resources -- should economic development funds be concentrated in the central business district or should they be diffused throughout the city? Can a city successfully target both? The data suggest that, for most cities, the emphasis remains focused on downtown development. Although one-third of the cities consider neighborhood centers more than moderately important, over one-quarter find them less than moderately important. Compared to downtown development, neighborhood centers enjoy less support.

The other geographic target that cities regard as very important is industrial areas. It is clearly secondary to downtown development as a priority, however. The least important geographic target is waterfront development. One factor to keep in mind when evaluating the importance of waterfront development to cities is that waterfronts do not exist in every city. Therefore, 23% of the those surveyed did not answer the waterfront question. And, it should be assumed that some of the "not important" responses can be attributed to the lack of a waterfront. Given these cautions, the fact remains that waterfront development is less frequently important than downtowns and industrial areas.

Entrepreneurial Targets

Small business development is the most important entrepreneurial target. Over three-quarters of the cities judge it to be important or very important to their economic development programs. Only two percent of the cities consider small business development anything less than moderately important. No other entrepreneurial target approaches this level of significance. Two targets do, however, enjoy fairly solid support. One is office buildings -- often considered the key to central business district revitalization. The other is the target that some observers regard as cutting edge: high tech development. Both of these targets are deemed very important by almost one-third of the cities; important by one-quarter; and moderately important by another one-third.

Two other entrepreneurial targets -- minority business development and community development corporations -- are notable for their comparatively minimal level of importance to the cities. Minority business development and community development corporations are less than moderately important in 24.4% and 42.8% of the cities respectively. Both minority business development and community development corporations are ways of bringing into the economic development arena individuals and groups that are typically on the outside.

Business Targets

The targets that are specifically geared to the community investment definition of economic development are warmly endorsed by the respondents to the survey. Cities are committed to retaining existing business, expanding existing business, and attracting new business. Fully two-thirds of the cities accord very important status to these targets. Only a handful consider them to be less than moderately important. This suggests that virtually all cities have adopted a similar formula: support existing firms and bolster efforts to attract relocating firms.

Diversification of the business mix, long a goal of cities reliant upon a single industry, is an important target also, but to a lesser degree than the retention, expansion, and attraction targets. Retooling existing business, that is, assisting a local business that is restructuring its production process or is reorienting its marketing strategy, is the least

important business target. Over 30% of the cities find it to be less than moderately important.

Occupational Targets

It is not customary for cities to enhance economic development by focusing on occupational targets. The response rate to this set of questions is uniformly lower (in the 75-80% range) than it is for the other target types. This drop-off in response rate suggests that the occupational targeting question is seen as less relevant by local economic development officials.

In those places where occupational targets are relevant, they tend to be of moderate importance. Only research and development and entrepreneurship are considered very important targets by as much as a quarter of the respondents. This does not imply a preponderance of negative sentiment, however. Less than 15% of the respondents evaluate any of the occupational targets below the moderately important level. Perhaps this conveys some uncertainty as to just what role occupational targets play in economic development strategy. Although the city can be conceptualized as a mix of businesses or geographic areas, it may be more difficult to see as a mix of occupations.

(2) Tools Associated with Targets

The survey asked respondents to link important tools to important targets. This was done to answer the question, "what tools are used to pursue specific targets?" Respondents were instructed to select from the 45 tools listed in the survey the three most important to their most important targets. This ties or correlates tool use with objectives. In addition, it excludes from consideration the tools that cities use to pursue their less important targets. This reduced list of tools are the ones that matter most to the achievement of important results. The tools that received the most mentions for each of the targets appear in Table IV-2.

Tools for Geographic Targets

Among the tools used to pursue geographic targets the most common is infrastructure improvements. Regardless of whether target is downtown redevelopment,

TABLE IV-2 TOOLS USED TO PURSUE VERY IMPORTANT TARGETS

	Infrastructure Improvements	Tax-Exempt Bonds for Private Development	Revolving Loan Funds	Marketing Strategy	Tax Abatement	Direct Loans to Private Business	Entrepreneurial Assistance	Advertising	Employee Training/ Retraining	Land Acquisition	Direct Cash Contribution to Project	Promotional Missions (domestic)	Strategic Planning	
GEOGRAPHIC TARGETS														
Downtown Redevelopment	●	●								●				
Neighborhood Centers	●		●			●								
Waterfront Development	●	●								●				
Industrial Areas	●	●			●									
ENTREPRENEURIAL TARGETS														
High Tech Development	●	●		●										
Small Business Development			●			●	●							
Office Buildings	●	●			●									
Minority Business Development			●			●	●							
Community Development Corps.			●				●				●			
BUSINESS TARGETS														
Retain Existing Business	●	●	●											
Expand Existing Business	●	●	●											
Retool Existing Business		●	●			●								
Attract New Business		●		●				●						
Diversify Business Mix				●				●					●	
OCCUPATIONAL TARGETS														
Routine Operations	●				●				●					
Precision Operations				●	●				●					
Research and Development	●			●				●						
Central Administration				●					●			●		
Entrepreneurship			●	●			●							
TOTAL	10	9	8	7	4	4	4	3	3	2	1	1	1	

neighborhood centers, waterfront development, or industrial areas, cities see infrastructure as the key variable. No other tool enjoys the same level of popularity.

In cities where downtown redevelopment is a very important target, the tools used include tax-exempt bonds and land acquisition in addition to infrastructure improvements. This package of tools denotes a dynamic city undertaking capital facility improvements, acting as a land broker, and offering preferential financing arrangements with the intent of stimulating downtown redevelopment.

In cities that target neighborhood centers, infrastructure improvements are important also. However, the important companion tools are strictly financial--revolving loan funds and direct loans to private business. Given that neighborhood centers are primarily commercial developments, the city's role is one of setting a solid foundation and then providing direct financial assistance.

Waterfront development involves the same set of tools used for downtown redevelopment, further confirming the overlapping nature of the two targets. Cities improve the infrastructure, acquire land, and issue tax-exempt bonds.

To promote economic development in industrial areas, cities provide what is virtually standard issue in geographic targeting -- tax-exempt bonds and infrastructure improvements. The other element in the industrial development package is tax abatement. There is a longstanding debate as to whether tax concessions such as abatements influence private sector locational choices. In the absence of evidence to resolve the debate, cities continue to use tax abatements for industrial development.

Tools for Entrepreneurial Targets

Revolving loan funds and entrepreneurial assistance are the two tools that predominate when cities are pursuing entrepreneurial targets. The importance of these two tools underscores the difference between geographic and nongeographic orientations to economic development. Both of the tools involve the city in a direct relationship with a person as opposed to a place. Revolving loan funds are typically created to provide start-up capital to new small businesses. Entrepreneurial assistance usually involves management training for small business operators.

Both revolving loan funds and entrepreneurial assistance are the most important tools for three entrepreneurial targets: small business development, minority business development, and community development corporations. The link between minority business development and small business targeting is evidenced by the fact that the two targets share a third common tool: direct loans to private business. Thus, when cities consider small or minority business development a critical part of their economic development programs, the assistance takes the form of financial support and managerial assistance. For community development corporations, the third most frequently used tool is also financial -- direct cash contribution to a project.

The other entrepreneurial targets are essentially different. The tools used when high tech development is a very important target are marketing strategies, infrastructure improvements, and tax-exempt bonds. This suggests that the first step in high tech development is for the city to create an image of itself as high tech "ready." It reconfirms that readiness by making infrastructure improvements and by offering tax-exempt bonds for high tech development.

The package of tools important for office building development is the same as the package used for developing industrial areas: infrastructure improvements, tax-exempt bonds, and tax abatements. It appears that office building development is a relatively undifferentiated target. Whether the target is industrial areas or office buildings, the tools are the same.

Tools for Business Targets

In targeting business, cities rely upon two cost reduction tools: tax-exempt bonds and, to a lesser extent, revolving loan funds. Cities are clearly attempting to establish financial climates friendly to business. This benefits both existing businesses and relocating businesses.

To retain existing business, infrastructure improvements outpace efforts at cost reduction. If cities are trying to maintain their business base through the retention of existing firms, then they approach it as a capacity improvement issue. Infrastructure quality is the foundation, cost reduction is an important additional inducement. If, on the other hand, cities are hoping to establish a new business equilibrium through expansion, then

the cost reduction tools become more prominent. To assist existing businesses with expansion, cities issue tax-exempt bonds and provide revolving loan funds. Infrastructure improvement is important once the financial commitment has been made.

Some cities help existing firms retool, that is, respond to and accomodate economic disruption or growth. City assistance for retooling is primarily financial. In fact, retooling is the one business target associated with the powerful financial tool of direct loans. In addition, cities use the popular revolving loan fund programs and their authority to issue tax-exempt bonds to assist in retooling.

Another means of establishing a new business equilibrium is to attract new firms to the city. Financial tools are less important in achieving this objective. Instead, cities develop marketing strategies and advertise. Once a firm's interest in a particular city is piqued, the city may then sweeten the pot by offering tax-exempt bonds. Initially however, businesses must be acquainted with the assets of the city. This is more sophisticated than simply advertising. Cities must sell themselves to potentially relocating business. Doing this requires an understanding of the local economy.

Diversification of the city's business mix also affects equilibrium. Cities attempt diversification through marketing, strategic planning, and advertising. Given this assortment of tools, it is apparent that cities perceive diversification as achieved through attracting relocating firms rather than the creation of indigenous new firms.

Occupational Targets

As noted in the dicussion of the relative importance of the various targets, cities are less likely to attempt occupational development than economic development activities directed toward places or types of business. For the subset of cities in which occupational targets are very important, the key tools are employee training/retraining and marketing strategy. In other words, occupational targeting is seen as both a labor and promotional matter.

Cities that target routine operations occupations use employee training/retraining, tax abatement, and infrastructure improvements. Targeting routine operations is akin to targeting industrial development. The substantive difference is that when routine

operations are the focus, attention is paid to labor force training. When industrial areas are the focus, the issuance of tax-exempt bonds is paramount. This implies that if the same firm is considered a geographic target as opposed to an occupational target, a different emphasis in tool use results.

When precision operations are the target, cities address them through employee training/retraining, marketing strategy, and tax abatement. The difference between targeting routine operations and precision operations lies in replacing the use of infrastructure improvements with marketing strategy. It appears that cities attract precision operations occupations by marketing themselves.

The marketing aspect is especially important for research and development occupations. When these occupations are the focus, cities use marketing and advertising and infrastructure improvements. This approach is similar to the one used when cities target high tech development. The difference is that when occupations are the focus, the importance of tax-exempt bonds recedes and that of advertising emerges.

Targeting central administration involves both promotion and labor. When cities focus upon central administrative occupations, they use marketing strategies, employee training/retraining, and domestic promotional missions. It is interesting to note that central administration occupation targeting is not the same as office building targeting. Despite the similarity of the two targets, an entirely different set of tools is involved. Cities actively recruit central administrative occupations with domestic promotional missions.

The critical tool in targeting entrepreneurship occupations is, understandably, entrepreneurial assistance. In addition to entrepreneurial assistance, cities use revolving loan funds and marketing strategies. Targeting entrepreneurship involves the city in capacity improvement, cost reduction, and market expansion.

CHAPTER V
EXAMINING ECONOMIC DEVELOPMENT TARGETS

In Chapter III, the use patterns of economic development tools were disaggregated into categories. Doing so revealed important differences in tool use according to city population size, region, level of distress, and economic structure. Just as city characteristics were important explanations for tool usage, they are also helpful in sorting through the different economic development targets. Simply put, the objectives of the economic development process vary in different types of cities. Targets that are important to large cities, for example, may be of minor importance to small cities. To explore the variance, the clusters of city types that were introduced in Chapter III reappear in this chapter.

(1) City Population Size and Economic Development Targets

To determine whether city size plays a role in economic development targeting, the sample was divided into the same population groups as in Chapter III. They are: small cities (less than 50,000 population), small-mid cities (50,000 to 100,000), mid-large cities (100,000 to 200,000), and large cities (greater than 200,000). The number of cities responding to the targets question on the survey includes: 64 small cities, 113 small-mid cities, 73 mid-large cities, and 59 large cities. The economic development target figures broken down by city size appear in Table V-1. The figures refer to the percentage of respondents who indicated that a specific target was "very important" to their city.

Breaking down the sample unmasks the inherent variability within. For example, 22.5% report that neighborhood centers are very important targets in their economic development programs. Yet when that figure is broken down by city size, a very different picture emerges. In Table V-1, neighborhood centers are very important to 7.7% of the small cities, 15.3% of the small-mid cities, 20.3% of the mid-large cities, and 52.7% of the large cities. Neighborhood centers are considered very important targets in large cities. In other cases, the size-driven nature of a target is less obvious than it is with neighborhood centers. For example, 54.3% report that industrial area targets are "very important." This percentage remains fairly steady across all of the population groups. The importance placed on industrial areas is unconnected to population size.

TABLE V-1 TARGETS BY CITY SIZE, PERCENTAGE SAYING "VERY IMPORTANT"

	LARGE	MID-LARGE	SMALL-MID	SMALL
GEOGRAPHIC TARGETS				
Downtown Redevelopment	81.4	79.5	78.8	60.9
Neighborhood Centers	52.7	20.3	15.3	7.7
Waterfront Development	54.7	40.7	29.9	22.4
Industrial Areas	56.7	56.3	50.0	57.4
ENTREPRENEURIAL TARGETS				
High Tech Development	47.2	25.4	25.5	25.9
Small Business Development	70.7	47.2	47.1	44.3
Office Buildings	40.4	33.8	29.7	16.1
Minority Business Development	56.4	28.4	11.6	13.2
Community Development Corps.	29.1	12.1	4.8	9.8
BUSINESS TARGETS				
Retain Existing Business	74.6	66.2	65.5	63.1
Expand Existing Business	84.7	62.5	60.7	60.9
Retool Existing Business	26.9	22.6	13.8	20.7
Attract New Business	71.9	67.1	67.5	73.4
Diversify Business Mix	38.2	29.9	44.3	42.9
OCCUPATIONAL TARGETS				
Routine Operations	18.4	8.5	16.9	19.2
Precision Operations	18.0	13.6	16.0	17.3
Research and Development	43.1	22.4	30.3	22.6
Central Administration	35.4	15.3	21.7	15.1
Entrepreneurship	43.1	15.9	25.6	25.0

On average, identifying economic development targets is more important to large cities than to small cities. Given this general finding, the exceptions are interesting. Small cities place as much (or slightly more) importance as large cities on industrial areas, on attracting new business and diversifying the business mix, and on targeting routine operations occupations. For cities in the 50,000 to 200,000 range, the importance of the various targets typically falls within the parameters set by the small and large categories.

Large Cities

Large cities form the most distinct group of cities. Not only do they identify more targets, in most cases, a higher proportion of large cities find the targets very important. At a minimum, all of the targets are considered very important by at least 15% of the cities.

The targets that are very important to a majority of large cities are: expansion of existing business (84.7%), downtown redevelopment (81.4%), retention of existing business (74.6%), attraction of new business (71.9%), small business development (70.7%), industrial areas (56.7%), minority business development (56.4%), waterfront development (54.7%), and neighborhood centers (52.7%). The designation of half of the targets as very important implies that large cities have far-reaching and extremely active economic development programs.

Large cities are notable too in that a majority of them identify minority business development and neighborhood centers as very important targets. For the most part, these are not targets in other cities. The implication is that large cities are faced with an array of demands that require a broadening of the typical conception of economic development.

In addition, compared to other cities, large cities tend to target high tech development (47.2%) and research and development occupations (43.1%). Diversification, on the other hand, is less of a concern to large cities (38.2%) than it is to small (42.9%) and small-mid sized cities (44.3%).

Mid-Large Cities

The focus of the economic development effort narrows outside of large cities. Mid-large sized cities aim for about half of the targets that large cities do: downtown redevelopment (79.5%), attraction of new business (67.1%), retention (66.2%) and expansion (62.5%) of existing business, and industrial areas (56.3%). Slightly less than a majority of cities consider two targets very important: small business development (47.2%) and waterfront development (40.7%).

Other targets are not as attractive to mid-large cities as they are to large cities. In some cases such as office buildings (33.8%) and diversification of the business mix (29.9%), the decline in importance from large to mid-large cities is not very substantial. In other cases, e.g., neighborhood centers (20.3%), high tech development (25.4%), and minority business development (28.4%), the decline in importance is dramatic.

Looking at the relatively unimportant targets (targets that are evaluated as "very important" by less than 15% of the cities) reveals another distinction for the mid-large category: both routine and precision operations occupations are unimportant targets in these cities. This is indicative of a larger trend wherein mid-large cities fail to support occupational development. With one exception, mid-large cities consider each of the occupational targets less important than does any other city size group.

Small-Mid Cities

The targets of economic development in small-mid sized cities are the same as the mid-large cities: downtown redevelopment (78.8%), attraction of new business (67.5%), retention (65.5%) and expansion (60.7%) of existing business, and industrial areas (50.0%). Two other targets that are close to enjoying "very important" status are small business development (47.1%) and, unlike the mid-large cities that target waterfront development, diversification of the business mix (44.3%).

Several targets are considered very important by more than one-quarter of the group. These targets include research and development occupations (30.3%), waterfront development (29.9%), office buildings (29.7%), and entrepreneurship (25.6%), and high tech development (25.5%). Therefore, although the economic development agenda of small-mid

size cities is not as extensive as it is in larger cities, it does have its distinctions. Two targets that are not on the agenda are minority business development and, like mid-large cities, community development corporations with very important percentages of 11.6 and 4.8, respectively.

Small Cities

Like small-mid size cities, a majority of small cities target the attraction of new business (73.4%), the retention (63.1%) and expansion (60.9%) of existing business, downtown development (60.9%), and industrial areas (57.4%). More small cities consider these targets very important than any of the others. As the discussion of larger cities indicated, this is a relatively standard group of targets. Two targets that approach majority importance status are small business development (44.3%) and diversification of the business mix (42.9%). Taken together, these seven targets can be said to comprise the economic development agenda of America's small cities. Only one other target (high tech development: 25.9%) is considered very important by more than one-quarter of the small cities.

Several targets are not particularly important to small cities. If a 15% "very important" figure is imposed as a boundary that separates the potentially important targets from the relatively unimportant ones, then three targets are not of much consequence to small cities. The three targets are minority business development (13.2%), community development corporations (9.8%), and neighborhood centers (7.7%).

(2) Region and Economic Development Targets

The regional divisions used in discussing economic development tools in Chapter III are reintroduced for targets. Responding to the questions on economic development targets were 21 New England cities, 21 Mid-Atlantic cities, 56 East North Central cities, 31 West North Central cities, 52 South Atlantic cities, 17 East South Central cities, 28 West South Central, 30 Mountain cities, and 53 Pacific cities. The data on the regional breakdown for the various targets appears in Table V-2. The numbers in the cells are the percentage of respondents indicating that a particular target is "very important" in their city.

TABLE V-2 TARGETS BY REGION, PERCENTAGE SAYING "VERY IMPORTANT"

	NEW ENGLAND	MID ATLANTIC	EAST NORTH CENTRAL	WEST NORTH CENTRAL	SOUTH ATLANTIC	EAST SOUTH CENTRAL	WEST SOUTH CENTRAL	MOUNTAIN	PACIFIC
GEOGRAPHIC TARGETS									
Downtown Redevelopment	71.4	81.0	75.0	74.2	82.7	82.4	57.1	73.3	79.2
Neighborhood Centers	21.1	45.0	26.0	11.1	17.0	12.5	12.5	14.8	36.4
Waterfront Development	50.0	41.2	28.3	26.9	48.8	35.3	45.8	0.0	43.2
Industrial Areas	66.7	55.0	65.0	60.0	43.8	70.6	53.8	46.7	41.7
ENTREPRENEURIAL TARGETS									
High Tech Development	31.3	28.6	29.6	25.0	32.6	40.0	20.8	41.9	22.0
Small Business Development	45.0	71.4	62.3	44.8	46.0	58.8	46.2	40.0	49.0
Office Buildings	27.8	50.0	28.6	23.3	41.7	26.7	4.2	21.4	37.2
Minority Business Development	6.3	47.4	27.7	21.4	30.0	35.7	16.0	16.0	23.9
Community Development Corps.	0.0	17.6	22.7	7.1	11.6	14.3	0.0	12.5	18.9
BUSINESS TARGETS									
Retain Existing Business	72.7	81.0	86.7	61.3	55.8	64.7	53.6	53.3	66.0
Expand Existing Business	66.7	85.7	83.1	67.7	52.0	64.7	57.1	60.0	58.0
Retool Existing Business	12.5	23.8	29.4	24.0	11.1	26.7	22.7	12.0	17.9
Attract New Business	57.9	45.0	68.9	77.4	76.5	88.2	63.0	80.6	62.7
Diversify Business Mix	17.6	28.6	45.5	33.3	32.0	31.3	50.0	51.7	46.8
OCCUPATIONAL TARGETS									
Routine Operations	0.0	16.7	11.4	19.2	17.8	35.7	13.6	4.5	21.6
Precision Operations	0.0	11.8	15.9	12.0	13.0	15.4	25.0	31.8	17.1
Research and Development	40.0	23.5	27.5	25.0	27.1	30.8	30.4	38.5	28.2
Central Administration	25.0	23.5	16.3	21.4	35.6	8.3	8.7	20.8	20.0
Entrepreneurship	6.7	27.8	29.8	22.2	29.8	30.8	29.2	40.7	15.8

In examining the interaction of region and economic development targeting, one conclusion is apparent. The significance of region depends on the target. Some targets such as research and development occupations experience a relatively constant level of importance regardless of region. For research and development occupations, the low is in the Mid-Atlantic area where 23.5% of the cities consider it a very important target, the high is in the New England region (40.0%). The range in the importance figures for the nine regions is less than 20 percentage points. For other targets such as minority business development, the range is much greater. For example, 6.3% of the New England cities consider minority businesss development a very important target. In cities in the Mid-Atlantic region, that figure is 47.4%. The range of importance for minority business development is over 40 percentage points. In the following sections, each of the regional divisions will be examined individually.

New England

In terms of what they consider very important targets, New England cities mirror the national trend. A majority are targeting the retention of existing business (72.7%), downtown redevelopment (71.4%), industrial areas (66.7%), the expansion of existing business (66.7%), and the attraction of new business (57.9%). However, New England cities veer from the national trend with regard to the low level of importance assigned to some of the other tools. For example, no New England cities consider community development corporations, routine operations occupations, or precision operations occupations very important targets. In addition, the importance of business diversification (17.6%), entrepreneurship (6.7%), and minority business development (6.3%), is substantially lower in this region.

Mid-Atlantic

Cities in the Mid-Atlantic are targeting the redevelopment of downtown (81.0%), the retention (81.0%) and expansion (85.7%) of existing business, and the development of small business (71.4%). These are fairly popular targets around the country, but among Mid-Atlantic cities they are especially popular. However, Mid-Atlantic cities outpace the national trend with three less popular targets: office buildings (50.0%), minority business development (47.4%), and neighborhood centers (45.0%). Their support of this mix of

targets suggests that cities in the region are able to blend a downtown redevelopment strategy with a more diffuse neighborhood revitalization strategy. Support for existing firms and for small business and minority business development are important components of such an approach. It should be noted too that although cities in this region support the attraction of new business, the percentage that consider it a very important target (45.0%) is the lowest in the nation.

East North Central

The East North Central cities focus upon the same targets but often at a much higher rate than the national sample. The instances in which substantial variation (a difference of ten percentage points in either direction) occurs are instructive. Cities in this region place more importance on retention (86.7%) and expansion (83.1%) of existing business, on industrial areas (65.0%), on small business development (62.3%), and on community development corporations (22.7%) than the average city. While the first four of these targets are relatively conventional in that most cities target them, the last one, community development corporations is not. Almost one-quarter of the cities in the East North Central consider community development corporations to be very important. The implication is that cities in the region are more likely to work with indigenous, grassroots organizations to achieve economic development goals.

West North Central

The West North Central cities are a microcosm of the nation in terms of the importance of the different economic development targets. In only one instance, the targeting of neighborhood centers (11.1%), do the West North Central cities differ by ten percentage points or more from the national figures. (Fewer cities in the region find neighborhood centers a very important target.) The heart of the economic development effort in the West North Central is downtown redevelopment (74.2%) and industrial areas (60.0%), and in the retention (61.3%) and expansion (67.7%) of existing business, and the attraction of new business (77.4%). It is worth noting, however, that the attraction of new business is the highest priority target in the region.

South Atlantic

The economic development efforts in the South Atlantic cities are different from the national pattern in several ways. One difference is the absence of industrial areas (43.8%) from the targets that at least a majority of the cities in the region identify as "very important." Another differerence is in comparatively lower support for the retention (55.8%) and expansion (52.0%) of existing business. And another difference is the importance of central administrative occupations (35.6%) as targets. The region's distinctiveness is evident in a related finding as well. Unlike other regions in which small business development is a far more important target than office buildings, in the South Atlantic office buildings are valued at similar rates. Forty-six percent of the cities identify small business development as a very important target, 41.7% find office buildings very important.

East South Central

Attracting new business is the essential element of economic development targeting in the East South Central. Almost 90% of the cities consider the attraction of new business a very important economic development target. The other targets in which the East South Central cities lead are related: industrial areas (70.6%) and routine operations occupations (35.7%). These three targets form the basis for a coherent economic development policy. But the effort is not wholly focused on these targets. Compared to other regions, East South Central cities are targeting downtown redevelopment (82.4%), high tech development (40.0%), and minority business development (35.7%) at a high rate. This suggests a fairly diverse approach to economic development in the region.

West South Central

In West South Central cities, diversification of the business mix is very important (50.0%) in almost as many cities as is the retention (53.6%) and expansion (57.1%) of existing business. Proportionally, however, the levels of importance fall below those of the other regions. The general tendency in the West South Central is for fewer cities to accord "very important" designations to the targets. This is especially evident with community development corporations (0.0%), office buildings (4.2%), and central administrative occupations (8.7%). These targets are substantially less important in the West South

Central. The target considered very important by most cities in the region is attraction of new business (63.0%), followed by downtown redevelopment (57.1%) and expansion of existing business (57.1%).

Mountain

Economic development targeting in Mountain cities is unique. First of all, no cities find waterfront development a very important target. Second, they lead the other regions in support for four interrelated targets: diversification of the business mix (51.7%), high tech development (41.9%), entrepreneurship (40.7%), and precision operations occupations (31.8%). And, although a majority of cities in the region consider retention of existing business a very important target (53.3%), it is the lowest percentage among the regions. Attraction of new business, on the other hand, is the most favored target (80.6%) in the region. These findings suggest that an economic transformation of sorts is in process in cities in the Mountain region.

Pacific

Pacific cities are in the mold of cities in other regions in their targeting of downtown redevelopment (79.2%), and in their business attraction (62.7%), retention (66.0%) and expansion (58.0%) targeting. The divergence of the Pacific from other regions appears in the comparably low level of importance assigned to industrial area targets (41.7%) and in the relatively high degree of importance accorded neighborhood centers (36.4%). The core of the economic development effort is common, however. Seldom do Pacific region cities appear at the extremes in the importance they ascribe to the various economic development targets. Their targeting preferences are much more likely to resemble the national patterns.

(3) Level of Distress and Economic Development Targets

The issue of distress and its impact on economic development behavior was addressed in a previous chapter. Distress was found to be an important explanation for both the type and extent of tool use. It affects targeting as well. In this section, the comprehensive distress measure developed for the UDAG program is reintroduced. As noted earlier, this

measure produces nine gradations of distress based on population growth, poverty, housing age, income growth, and employment factors.

The number of cities that answered the targeting questions on the survey and have UDAG distress scores are (in order of ascending distress): 18 cities in the least distressed category, 25 cities, 42 cities, 35 cities, 26 cities (in the midlevel distress group), 33 cities, 40 cities, 27 cities, and 34 cities in the most distressed category. Table V-3 displays the targeting figures by level of distress. The percentages refer to the proportion of the cities that identify the target as "very important."

As Table V-3 indicates, targets popular under other criteria remain popular, and unpopular ones lag. But the range in the level of importance for a given target can be extensive. The retention of existing business is a good example. Without much distortion of the fact, one can conclude that, regardless of distress level, cities find retention strategies very important to their economic development programs. The range in importance is broad: from 44.1% to 97.1%. Minority business development is targeted by fewer cities than is retention of business, but the range is just a broad: from 0.0% to 58.1%. And, in both of these cases, the distressed cities are placing more importance on these targets. A closer look at the relationship between distress and targeting is warranted.

The nine separate distress categories can be combined into composite groupings to facilitate the discussion. Three classifications result. The low distress grouping includes: columns 1 - 3 in Table V-3; the mid-level distress grouping is made up of columns 4 - 6; and the high distress cities includes columns 7 - 9.

TABLE V-3 TARGETS BY DISTRESS, PERCENTAGE SAYING "VERY IMPORTANT"

	LEAST DISTRESSED				MIDLEVEL DISTRESS				MOST DISTRESSED
	1	2	3	4	5	6	7	8	9
GEOGRAPHIC TARGETS									
Downtown Redevelopment	61.1	72.0	59.5	80.0	80.8	87.9	87.5	81.5	82.4
Neighborhood Centers	20.0	30.4	5.1	16.1	26.1	23.3	16.7	43.5	45.2
Waterfront Development	0.0	6.7	27.0	45.8	34.8	48.1	44.4	60.9	50.0
Industrial Areas	31.3	37.0	52.5	50.0	46.2	62.5	60.5	55.6	75.8
ENTREPRENEURIAL TARGETS									
High Tech Development	37.5	44.4	23.7	33.3	30.4	36.7	17.6	26.1	35.5
Small Business Development	23.5	42.3	37.5	38.2	48.0	63.3	59.5	76.9	63.6
Office Buildings	35.3	37.0	13.2	30.0	33.3	37.9	22.2	45.8	40.6
Minority Business Development	0.0	4.3	5.6	14.3	29.2	32.1	28.9	48.0	58.1
Community Development Corps.	0.0	5.9	12.5	8.0	17.4	17.9	0.0	20.0	28.6
BUSINESS TARGETS									
Retain Existing Business	44.4	57.7	52.3	44.1	66.7	66.7	84.6	70.4	97.1
Expand Existing Business	44.4	53.8	53.5	63.6	70.4	71.9	63.2	70.4	91.2
Retool Existing Business	7.1	9.5	17.6	21.7	4.8	22.6	20.6	22.7	34.4
Attract New Business	55.6	61.5	67.4	64.7	73.1	75.8	69.2	70.4	75.8
Diversify Business Mix	37.5	52.0	37.5	46.7	33.3	36.4	27.8	42.3	48.5
OCCUPATIONAL TARGETS									
Routine Operations	0.0	5.0	6.3	14.8	18.2	21.4	17.1	30.0	16.0
Precision Operations	0.0	25.0	6.3	33.3	14.3	10.7	17.6	10.0	15.4
Research and Development	23.1	39.1	22.5	28.6	37.5	29.6	33.3	19.0	33.3
Central Administration	30.8	28.6	9.1	12.0	30.4	37.0	20.6	20.0	17.4
Entrepreneurship	16.7	18.2	22.2	20.7	36.4	23.3	23.5	35.0	37.0

Low Distress Cities

Cities with low levels of distress tend to target downtown redevelopment, retention and expansion of existing business, and the attraction of new business. These are the only targets that a majority of low distress cities consider very important. Compared to cities with higher levels of distress, this is a small number of "very important" targets. And there are several targets that are not particularly important to low distress cities. Among the entrepreneurial targets, low distress cities are not focusing upon minority business development or community development. They are not retooling existing business or targeting routine or precision operations occupations.

Low distress cities, on average, place less importance on waterfront development and industrial areas than do higher distress cities. This is true for small business development and entrepreneurship as well. Low distress cities follow the national pattern with regard to the importance of the remaining targets. The overall pattern, however, is selective targeting. It bears emphasizing that low distress cities are desirous of remaining so.

Mid-Level Distress Cities

The increase in the overall importance of the targets is evident when one moves from the low distress cities to those in the mid-level distress categories. More mid-level distress cities identify downtown redevelopment as very important than low distress cities do. The same is true for the retention and expansion of existing business and attraction of new business. In addition, a majority of mid-level distress cities are targeting industrial area development.

Mid-level distress cities do not differ much from their less distressed counterparts in the importance attached to neighborhood centers, high tech development, diversification of the business mix, research and development occupations, and central administrative occupations. But it is apparent that cities facing mid-level distress conditions operate a more diverse economic development program than do less distressed cities. The targets that approximately one-third of the mid-level distress cities consider very important include: waterfront development, high tech development, office buildings, diversification of the business mix, and research and development occupations.

High Distress Cities

High distress cities identify the most targets. Three of the four geographic targets--downtown redevelopment, waterfront development, and industrial areas--are very important to a majority of high distress cities. The importance of business is indisputable, too. Well over a majority of high distress cities indicate that the retention and expansion of existing business, the attraction of new business, and the development of small business are very important targets. In general, distressed cities seem to have developed an extensive agenda for economic development.

The pursuit of other targets appears to be related to distress also. Minority business development is an example of this as are neighborhood centers. To a lesser extent, office buildings and retooling existing business exhibit some correlation with distress.

Distressed cities, despite their need for immediate economic improvement have not pursued all of the targets. Some targets seem to be unrelated to distress levels. For example, the pursuit of research and development occupations, high tech, and central administrative occupations does not vary much according to distress level. Generally, the tendency is for more highly distressed cities to identify more targets.

(4) Economic Structure and Economic Development Targets

Population size, region, and level of distress have all been shown to be related to the importance of economic development targets. Another characteristic that affects targeting decisions is the city's economic structure. As was done in Chapter III, cities with populations of 100,000 or more that responded to the targets question have been categorized by economic structure. There are 38 cities whose local economy is a microcosm of the nation's (the "national mix" cities), 21 retail cities, 16 manufacturing cities, 20 service cities, 18 government cities, 4 manufacturing/service cities, and 10 unclassified cities. Because there are so few cities in the manufacturing/service category and because the unclassified grouping has no substantive meaning, the figures associated with these two clusters will be excluded from the analysis. The breakdown of targets by economic structure appears in Table V-4. The figures indicate the percentage of cities in which the target is considered "very important." The data in Table V-4 are for a

TABLE V-4 TARGETS BY CITY ECONOMIC STRUCTURE,
PERCENTAGE SAYING "VERY IMPORTANT"

	NATIONAL MIX	MANUFACTURING	RETAIL	SERVICE	GOVERNMENT
GEOGRAPHIC TARGETS					
Downtown Redevelopment	84.2	75.0	85.7	90.0	83.3
Neighborhood Centers	30.6	42.9	25.0	55.0	35.3
Waterfront Development	45.9	36.4	27.8	50.0	64.7
Industrial Areas	48.6	62.5	47.6	57.9	50.0
ENTREPRENEURIAL TARGETS					
High Tech Development	22.9	28.6	40.0	37.5	50.0
Small Business Development	59.5	73.3	42.9	63.2	47.4
Office Buildings	40.5	46.7	21.1	35.3	38.9
Minority Business Development	47.1	50.0	42.1	44.4	36.8
Community Development Corps.	21.2	16.7	0.0	40.0	18.8
BUSINESS TARGETS					
Retain Existing Business	73.0	86.7	42.9	65.0	68.4
Expand Existing Business	75.7	87.5	57.1	75.0	68.4
Retool Existing Business	25.0	16.7	15.8	36.8	12.5
Attract New Business	73.0	56.3	76.2	52.9	68.4
Diversify Business Mix	23.5	61.5	28.6	27.8	36.8
OCCUPATIONAL TARGETS					
Routine Operations	13.3	23.1	5.3	18.8	13.3
Precision Operations	16.1	16.7	15.8	18.8	12.5
Research and Development	32.3	33.3	31.6	23.5	27.8
Central Administration	19.4	27.3	22.2	18.8	42.9
Entrepreneurship	32.3	30.8	10.5	29.4	35.3

subset--cities with populations of 100,000 or more--of the original sample. Therefore, the numbers are not directly comparable to those in Table IV-1. From the discussion of city size and targeting, it is evident that cities with larger populations tend to identify more targets than smaller cities.

The importance of the different targets fluctuates across economic structures. While some targets such as downtown development are important regardless of the local economic structure, the significance of others like small business development varies. This suggests that cities, cognizant of their economic base, have designed economic development programs to accomodate that base.

National Mix Cities

Cities with populations of 100,000 or more that have employment patterns similar to the national pattern identify five very important targets: downtown redevelopment (84.2%), expansion of existing business (75.7%), retention of existing business (73.0%), attraction of new business (73.0%), and small business development (59.5%). Industrial areas (48.6%), minority business development (47.1%), and waterfront development (45.9%) are three other targets that are considered very important by almost a majority of national mix cities.

There is very little emphasis on diversification (23.5%), no doubt reflecting the balance that exists in the local economy. National mix cities, like others, do not approach the targeting issue from the perspective of occupations. When they do, the occupational targets considered most important are research and development (32.3%) and entrepreneurship (32.3%).

Manufacturing Cities

Manufacturing cities have seven major targets: the expansion (87.5%) and retention (86.7%) of existing business, small business development (73.3%), downtown redevelopment (75.0%), industrial areas (62.5%), diversification of the business mix (61.5%) and attraction of new business (56.3%). Just as retail cities are focused, manufacturing cities are diffused. The comprehensive nature of economic development programs in manufacturing cities is evident in that they include geographic, entrepreneurial, and business targets.

Two other entrepreneurial targets considered very important by a near majority are minority business development (50.0%) and office buildings (46.7%). Again, this highlights the diverse manner in which manufacturing cities tackle economic development.

Retail Cities

The targeting that occurs in retail cities is characterized as heavy emphasis on downtown redevelopment (85.7%) and attraction of new business (76.2%). There is a tremendous concentration of effort in these two endeavors. Only one other target, the expansion of existing business (57.1%), is considered very important by a majority of retail cities.

Compared to any other single group, retail cities tend to attach lesser importance to the targets--across the board. Retail cities attach the lowest proportion of importance to three of the four geographic targets. The same is true for most of the entrepreneurial targets, also. Retail cities are concentrating their efforts on a specific set of targets.

Service Cities

Like manufacturing cities, service cities identify seven targets as very important. Six of these targets are the same ones favored by manufacturing cities. The point at which they differ underscores the essential distinction between the two groups of cities. While a strong majority of manufacturing cities are targeting diversification of the business mix, only 27.8% of the service cities consider it very important. Instead, a majority (55.0%) of service cities select neighborhood centers as a very important target of their economic development efforts. As a corollary, 40.0% of the service cities consider community development corporations very important.

Service cities are very active in promoting economic development. Yet like the other types of cities, they are not particularly oriented toward economic development as occupational targeting.

Government Cities

Economic development targeting in government cities is distinctive. Government cities embrace downtown redevelopment (83.3%) and the retention (68.4%), expansion (68.4%), and attraction (68.4%) of business like so many other cities do. However, where they vary is in the next tier of targets. One is waterfront development (64.7%); another is high tech development (50.0%); and a third is central administration (42.9%). The high proportion of local employment in government seems to be linked to a relatively unique set of targets.

Government cities place an average amount of importance on the remaining targets. It is in waterfront development and, logically, high tech development and central administrative occupations that government cities see the future.

CHAPTER VI

KEY TOOLS: PURPOSE AND PRACTICE IN ECONOMIC DEVELOPMENT

The preceding chapters explored the mechanics of city economic development: the use of tools and the importance of targets. This chapter reassembles some of the earlier data but with two shifts in perspective. In the first part of the chapter, the focus is shifted from city characteristics to the tools themselves. This section identifies the tools most relied upon and examines the types of cities associated with their use.

But, by identifying the tools that cities have relied upon the most, have we really isolated the key tools in economic development? This issue is the focus of the second part of the chapter. The purposive use of tools (that is, in pursuit of targets) is compared to tool reliance. Approaching the issue from this perspective will provide a fuller understanding of the role that tools and targets play in the city economic development process.

(1) Tools and City Characteristics

In an earlier chapter, the data on tool use were sorted out according to city population size, region, level of distress, and economic structure. It became apparent that these city characteristics affected tool choice and reliance. Large and small cities behave differently, as do cities on the East and West coasts. Cities with distressed conditions approach the economic development issue differently than do their more fortunate counterparts. Manufacturing cities are different from service cities, from retail cities, and so on. What this vertical slice of data emphasized then, was the way city type affected the use of economic development tools.

What the data display muffled was the way the tools themselves are affected by the different categories. Exploring this aspect requires a horizontal slice of data. In other words, the question of interest shifts from "how do different types of cities behave?" to "how do the tools fare from one city type to another?"

To pursue this line of inquiry, the analysis returns to Table II-1 and selects the tools that were the most extensively used in 1986. Establishing a "used extensively by are

TABLE V1-1 1986 MOST EXTENSIVELY USED TOOLS BY CITY SIZE

	TOTAL SAMPLE	LARGE	MID-LARGE	SMALL-MID	SMALL
Infrastructure Improvement	47.5	62.3	52.7	45.4	33.3
Issuance of Tax-Exempt Bonds	34.2	59.0	39.2	26.1	22.7
Marketing Strategy	29.5	42.6	35.1	18.5	31.8
Strategic Planning	27.0	39.3	27.0	23.5	21.2
Employee Training/Retraining	26.4	50.8	35.1	14.3	16.7
Revolving Loan Funds	26.4	45.9	35.1	18.5	13.6

TABLE V1-2 1986 MOST EXTENSIVELY USED TOOLS BY REGION

	TOTAL SAMPLE	NEW ENGLAND	MID ATLANTIC	EAST NORTH CENTRAL	WEST NORTH CENTRAL	SOUTH ATLANTIC	EAST SOUTH CENTRAL	WEST SOUTH CENTRAL	MOUNTAIN	PACIFIC
Infrastructure Improvement	47.5	45.5	45.5	54.1	53.1	50.9	47.1	53.6	32.3	42.6
Issuance of Tax-Exempt Bonds	34.2	31.8	54.5	36.1	46.9	34.0	41.2	39.3	35.5	14.8
Marketing Strategy	29.5	22.7	36.4	32.8	31.3	28.3	41.2	25.0	38.7	20.4
Strategic Planning	27.0	22.7	36.4	26.2	40.6	22.6	41.2	17.9	29.0	20.4
Employee Training/Retraining	26.4	45.5	40.9	21.3	21.9	26.4	23.5	28.6	29.0	20.4
Revolving Loan Funds	26.4	31.8	50.0	37.7	21.9	22.6	23.5	14.3	16.1	22.2

TABLE VI-3 1986 MOST EXTENSIVELY USED TOOLS BY LEVEL OF DISTRESS

	TOTAL SAMPLE	LEAST DISTRESSED			MID LEVEL DISTRESS					MOST DISTRESSED
		1	2	3	4	5	6	7	8	9
Infrastructure Improvement	47.5	38.9	35.7	45.7	47.2	48.1	69.7	50.0	55.6	62.9
Issuance of Tax-Exempt Bonds	34.2	16.7	32.1	32.6	27.8	33.3	36.4	52.5	48.1	45.7
Marketing Strategy	29.5	27.8	14.3	17.4	36.1	22.2	27.3	37.5	44.4	45.7
Strategic Planning	27.0	27.8	25.0	30.4	22.2	25.9	24.2	25.0	44.4	34.3
Employee Training/Retraining	26.4	5.6	14.3	13.0	25.0	25.9	39.4	42.5	44.4	34.3
Revolving Loan Funds	26.4	0.0	14.3	8.7	13.9	22.2	33.3	47.5	48.1	60.0

TABLE VI-4 1986 MOST EXTENSIVELY USED TOOLS BY CITY ECONOMIC STRUCTURE

	NATIONAL MIX	RETAIL	MANUFACTURING	SERVICE	GOVERNMENT
Infrastructure Improvement	64.1	52.4	68.8	60.0	52.6
Issuance of Tax-Exempt Bonds	66.7	28.6	37.5	45.0	47.4
Marketing Strategy	38.5	19.0	37.5	45.0	47.4
Strategic Planning	38.5	19.0	25.0	40.0	31.6
Employee Training/Retraining	41.0	33.3	50.0	70.0	36.8
Revolving Loan Funds	51.3	19.0	43.8	55.0	36.8

presented one-quarter of the cities" criterion for inclusion in this analysis generates six tools. This subset of tools can legitimately be considered the most relied upon instruments in city economic development during the past year. The six tools include infrastructure improvements, the issuance of tax-exempt bonds, marketing strategy, strategic planning, employee training/retraining, and revolving loan funds. More cities used these tools more extensively than any of the others. These tools and their associated city characteristics in a series of tables. These tables are organized by city population size (Table VI-1), region (Table VI-2), level of distress (Table VI-3), and economic structure (Table VI-4).

Infrastructure Improvements

Infrastructure improvements were the most heavily relied upon tool in 1986. In the aggregate, 47.5% of the cities report extensive use of infrastructure improvements. Generally, it is the most important capacity improvement tool in a city's arsenal. Yet not all cities embraced the tool with the same fervor. Compared to other places, small cities (Table VI-1), cities in the Mountain region (Table VI-2), and cities with lower levels of distress (Table VI-3) rely to a lesser degree on infrastructure improvements. Exhibiting a much greater reliance on infrastructure improvements are large cities, cities in the East North Central, West South Central, and West North Central regions, and high distress cities. In looking at the economic structures of cities over 100,000 population (Table VI-4), infrastructure improvements are relied upon by manufacturing cities to a greater extent than by retail or government cities.

Tax-exempt Bonds

Approximately one-third of the overall sample report using tax-exempt bonds extensively in 1986. The use of tax-exempt bonds is positively correlated with city size: the larger the population, the greater the use of tax-exempt bonds. As for region, the reliance is fairly stable in seven areas of the nation, but in the Mid-Atlantic and the Pacific regions, the stability is undone. In the Mid-Atlantic, 54.5% of the cities report using tax-exempt bonds extensively; for the Pacific area cities, the corresponding figure is 14.8%. The relationship of distress and tax-exempt bonds is less clear cut than with city size, but the tendency is for cities with greater distress to rely more heavily on tax-exempt bonds than lesser distressed cities. Tax-exempt bonds seem to be more the

province of cities with economies similar to the national economy than of cities with more specialized economies.

Marketing Strategy

The only market expansion tool among the top six tools is marketing strategy. Almost 30% of the cities indicate that they used marketing strategies extensively during 1986. When the data are broken down by city type, it is evident that large cities, cities in the East South Central, and highly distressed cities are much more likely to utilize marketing strategies than any other types of cities. City size is somewhat problematic however, because small cities and mid-large cities are using marketing strategies at virtually the same rate. Cities less likely to rely on marketing strategies include small-mid sized cities, Pacific area and New England cities, and less distressed cities. Marketing strategies are more heavily relied upon in cities with a strong government or service focus. In retail cities, on the other hand, marketing strategies are far less popular.

Strategic Planning

Twenty seven percent of the cities used strategic planning (a mechanism by which a city assesses its local economy and designs an intervention strategy) extensively in 1986. This percentage is somewhat inflated by the use that large cities (39.3%) make of the tool. No other city size category uses the tool at a rate higher than 27%. Strategic planning is especially popular with cities in the East South Central and West North Central regions of the country. It is distinctly less popular in the West South Central and Pacific regions. There is a tendency for the two most distressed groups of cities to use strategic planning extensively, but among the other distress groups, the use of the tool is relatively constant. Cities with service or national mix economies use strategic planning at a greater rate than do retail cities.

Employee Training/Retraining

Approximately one-quarter of the total sample conducted extensive employee training/retraining programs in 1986. This aggregate figure masks the tremendous variation that occurs across city population groups and across economic structures. While over 50% of the large cities were conducting these programs, only about 15% of

the two small city groups were doing so. In terms of economic structure, employee training/retraining is used at twice the rate in service-economy cities (70%) than in retail cities (33.3%). There is much less regional variation in the use of this tool. Two regions, New England and the Mid-Atlantic, outpace the rest of the country in their use of employee training/retraining. The other regions use the tool at roughly the aggregate rate. Employee training/retraining is used at a greater rate among distressed cities than it is among the lesser distressed.

Revolving Loan Funds

The proportion of cities using revolving loans funds is similar to the proportion using employee training/retraining programs. The same tendency for disparate use among city size groups occurs. Among large cities, 45.9% use revolving loan funds extensively, among small cities the proportion is 13.6%. Unlike the other tools, with revolving loan funds, the variation continues through all the city characteristics. Mid-Atlantic cities use revolving loan funds at a rate more than three times as great as the West South Central cities. None of the least distressed group of cities report using the tool extensively while 60% of the most distressed cities do. And although the high to low range is extreme across economic structure groups, with the exception of retail cities the groups tend toward consistency.

(2) A Reexamination of Tool Use: Reliance and Purpose

The relative importance of economic development tools remains a matter of serious debate. In Chapter II, economic development tool use was presented in terms of popularity (the percentage of cities using a tool) and reliance (the extensiveness of tool use). The use of tools was not related to any objective outcome. Chapter IV addressed that issue with a discussion of the "purposive" use of tools. The remainder of this chapter links the discussion of Chapters II and IV. Tool scores, based on purposive use, are calculated and compared to the "reliance" percentages.

In Chapter IV, respondents were asked to indicate the three most important tools (from the list provided in the survey) used to pursue "very important" targets. The result, displayed in Table IV-2, indicated which tools were critical for achieving which objectives. Each of the "very important" targets has three tools associated with it. To

compute a score, each of the 13 tools that appears in the table is assigned one point each time it is listed. (The maximum number of times any one tool could appear in the list is 19. This, of course, did not occur. No single tool is so dominant that it is very important for every target. Cities have more diversified approaches.) The number of points a tool receives divided by the maximum possible gives us the score for the tool. The list of tools and their scores appears in Table VI-5.

The two top scoring purposive tools are also the tools that, in Chapter II (and in the preceding section of this chapter), were the tools cities relied upon the most. Regardless of whether the focus is upon tool use in the abstract or tool use linked to targets, the two top tools are infrastructure improvements and issuance of tax-exempt bonds for private development. Infrastructure has a score of .53, indicating that it is an important tool for pursuing over half of the targets. The .53 score correlates closely with its 1986 extensive use rate of 47.5%. Tax-exempt bonds follow closely. Their score is .47 which means that it was used in pursuing almost half of the targets. The score is related, although not as precisely as infrastructure was, to its 1986 extensive usage rate (34.2%). This finding reinforces the earlier contention that infrastructure improvements and tax-exempt bonds are the cornerstones of the local economic development effort.

When put in the context of specific targets, revolving loan funds increase in importance compared to their evaluation in the abstract. Their score in Table VI-5 is .42, indicating that they are the third most critical tool for use with specific economic development targets. Compare that to their use rate in total sample columns in Tables VI-1. Revolving loan funds barely made the "extensively used by one-quarter of the sample" cut-off point in the preceding section. The importance of revolving loan funds is more clearly understood when tied to a specific economic development objective.

The tool with the fourth highest score (.32) in Table VI-5 is marketing strategy. Marketing strategies are linked to the pursuit of one-third of the economic development targets. This score compares favorably with the proportion of cities (29.5%) that report using the tool extensively in 1986. This suggests that marketing strategies occupy a significant place in a city's economic development program.

TABLE V1-5 SCORES FOR TOOLS RELATED TO TARGETS

TOOLS	SCORE
Infrastructure Improvements	.53
Issuance of Tax-Exempt Bonds For Private Development	.47
Revolving Loan Funds	.42
Marketing Strategy	.32
Tax Abatement	.21
Entrepreneurial Assistance	.21
Employee Training/Retraining	.16
Advertising	.16
Direct Loans to Private Business	.16
Land Acquisition	.11
Strategic Planning	.05
Promotional Missions (domestic)	.05
Direct Cash Contribution to Project	.05

The two remaining tools that were used most extensively in 1986, strategic planning (27.0%) and employee training/retraining (26.4%), diminish in importance when related to targets. Strategic planning has a score of .05 while employee training/ retraining scores .16. This suggests that the use of these two tools is less directly tied to the attainment of objectives. Strategic planning is a process that appears to stand on its own rather than being a means to an end. The explanation for the comparatively low score for employee training/retraining is less apparent, but the implication is that despite its popularity, it is not a central focus of city economic development strategies. Its purposive score (.16) is the same as that for advertising and direct loans to private business.

Other tools that are tied to targets are tax abatement (.21) and entrepreneurial assistance (.21). While their scores are at the mid-range, the scores are higher than one would have anticipated from looking at the 1986 extensive use rates. Although these tools are not as popular generally or relied upon as extensively as some others, they appear to be fairly important to the achievement of objectives.

One can conclude, beyond a shadow of a doubt, that the two leading tools of the local economic development effort are infrastructure improvements and the issuance of tax-exempt bonds for private development. No matter how use is measured -- by popularity, by reliance, or by purposiveness -- these two tools are at the top of the list. A city creates an environment for growth by supplying and maintaining infrastructure, and it intervenes in the local economy to attract new firms and support existing business by providing preferential financial arrangements.

Identifying the cluster of tools that accompany infrastructure and tax-exempt bonds depends upon the nature of the inquiry. If one were to examine the economic development activities of cities across the nation, one would find cities adopting marketing strategies, engaging in strategic planning, conducting employee training/retraining programs, and creating revolving loan funds. Cities are pursuing a mixed approach to economic development. They are using cost reduction tools, capacity improvement tools, and market expansion tools.

When the focus shifts to the tools that, along with infrastructure improvements and the issuance of tax-exempt bonds, are the most important for achieving economic development objectives, a slightly different group emerges. Joining revolving loan funds and marketing strategy are tax abatement and entrepreneurial assistance. Given a specific objective, the importance of any one tool (other than infrastructure and tax-exempt bonds) is less predictable. Simply because a tool is popular does not mean that it will help in the achievement of a specific objective.

Cities are faced with tremendous economic development challenges in the waning years of the 1980s. Choices made now will effectively determine a city's role in the twenty first century. Cities must carefully make three choices. The first is their level of involvement in the local economy -- whether it will be direct or indirect, extensive or occasional. Second, cities must identify the goals and objectives of their economic development process. Third, and related to the other choices, cities must assemble a package of economic development tools that will help them achieve the preferred level of involvement and the selected set of outcomes. This report, with its data on various measures of tool use and targets, and their relationship to city type, provides the knowledge base for making these choices.

APPENDIX A

THE RESEARCH PROCESS AND THE SAMPLE

The tools and targets data are part of a larger economic development study conducted by the National League of Cities during 1986-87. One portion of the study was the survey that generated the data reported here.

In January 1987, the survey was sent to 431 cities. Postcard reminders were mailed out three weeks later. A second mailing of the questionnaire went to nonrespondents six weeks after the initial mailing. Three hundred twenty-two usable questionnaires were received in time to be included in the analysis. This represents a response rate of 75%. The survey went to cities with populations of 100,000 or more, NLC member cities with populations between 50,000 and 100,000, and a selected sample of NLC member cities with populations below 50,000. The response rate for these three population groups was 79%, 74%, and 69%, respectively. Twenty-nine of the thirty largest cities in the country responded to the survey.

The survey was sent to the mayor with the request that it be routed to the staff person most knowledgeable about economic development. Typically, the questionnaire ended up in the hands of an economic development professional in a city department of economic development (the official name of the bureaucratic unit varies). Because the responsibility for economic development can be spread across several departments, in some instances the completed questionnaire was the product of two or more staff members in one or more departments.

APPENDIX B

CITIES RESPONDING TO THE SUPVEY

ALABAMA

Birmingham
Dothan
Gadsden
Huntsville
Mobile

ALASKA

Anchorage

ARIZONA

Glendale
Mesa
Phoenix
Scottsdale
Tempe
Tucson

ARKANSAS

Fayetteville
Fort Smith
Little Rock

CALIFORNIA

Alhambra
Antioch
Bellflower
Berkeley
Buena Park
Burbank
Carson
Cerritos
Compton
Concord
Garden Grove
Gardena
Glendale
Hawthorne
Hayward
Inglewood
Irvine
La Mirada
Lakewood
Los Angeles
Modesto
Montebello
Mountain View
Oakland
Oxnard
Palo Alto
Rancho Cucamonga
Redding
Redwood City
Richmond
Riverside
Sacramento
San Diego
San Jose
San Leandro
San Mateo
Santa Ana
Santa Barbara
Santa Cruz
Santa Monica
Santa Rosa
Simi Valley
Stockton
Sunnyvale
Thousand Oaks
Vallejo
West Covina

COLORADO

Arvada
Aurora
Boulder
Colorado Springs
Denver
Fort Collins
Greeley
Lakewood
Longmont
Pueblo
Thornton
Westminster

CONNECTICUT

Bridgeport
Enfield
Fairfield
Manchester
New Haven
Norwalk
Stamford
Waterbury
West Haven

DISTRICT OF COLUMBIA

Washington, D.C.

DELAWARE

Dover
Newark

FLORIDA

Clearwater
Coral Gables
Daytona Beach
Gainesville
Hollywood
Jacksonville
Melbourne
Miami
Miami Beach
North Miami
Orlando
Sarasota
St. Petersburg
Tampa
West Palm Beach

GEORGIA

Athens
Atlanta
Columbus
Macon
Savannah

HAWAII

Honolulu

IDAHO

Boise
Nampa
Pocatello

ILLINOIS

Arlington Heights
Champaign
Chicago
Decatur
Des Plaines
Downers Grove
Joliet
Moline
Oak Lawn
Peoria
Quincy
Rock Island
Rockford
Skokie
Springfield

INDIANA

Elkhart
Evansville
Gary
Indianapolis
Kokomo
Muncie
Richmond
South Bend

IOWA

Ames
Cedar Rapids
Davenport
Des Moines
Iowa City
Sioux City
Waterloo

KANSAS

Kansas City
Lawrence
Overland Park
Topeka
Wichita

KENTUCKY

Covington
Louisville
Owensboro

LOUISIANA

Baton Rouge
Lafayette
Lake Charles
Monroe
New Orleans

MAINE

Augusta
Bangor
Lewiston
Portland

MARYLAND

Annapolis
Baltimore
Frederick
Rockville

MASSACHUSETTS

Arlington
Boston
Springfield
Worcester

MICHIGAN

Battle Creek
Dearborn
Dearborn Heights
Detroit
East Lansing
Farmington Hills
Flint
Grand Rapids
Lansing
Lincoln Park
Livonia
Pontiac
Saginaw
Southfield
Sterling Heights
Warren

MINNESOTA

Bloomington
Brooklyn Park
Duluth
Minneapolis
Rochester
St. Louis Park
St. Paul

MISSISSIPPI

Biloxi
Hattiesburg
Jackson
Meridian

MISSOURI

Columbia
Independence
Kansas City
Springfield
St. Louis
University City

MONTANA

Billings
Butte
Great Falls

NEBRASKA

Lincoln
North Platte
Omaha

NEVADA

North Las Vegas
Reno

NEW HAMPSHIRE

Manchester

NEW JERSEY

Jersey City
Newark
Plainfield
Trenton

NEW MEXICO

Albuquerque
Las Cruces
Santa Fe

NEW YORK

Albany
Buffalo
New York
Rochester
Schenectady
Syracuse
White Plains

NORTH CAROLINA

Asheville
Charlotte
Durham
Gastonia
Greensboro
High Point
Raleigh
Winston-Salem

NORTH DAKOTA

Fargo

OHIO

Akron
Canton
Cincinatti
Cleveland
Columbus
Cuyahoga Falls
Dayton
Elyria
Euclid
Kettering
Lakewood
Mentor
Middletown
Newark
Springfield
Toledo
Youngstown

OKLAHOMA

Oklahoma City
Tulsa

OREGON

Corvallis
Portland
Salem

PENNSYLVANIA

Allentown
Lancaster
Philadelphia
Pittsburgh
Reading
Scranton
York

RHODE ISLAND

Cranston
Providence
Warwick

SOUTH CAROLINA

Charleston
Columbia
Greenville
North Charleston
Spartanburg

SOUTH DAKOTA

Aberdeen
Rapid City
Sioux Falls

TENNESSEE

Chattanooga
Clarksville
Knoxville

TENNESSEE

Memphis
Nashville

TEXAS

Abilene
Amarillo
Austin
Baytown
Beaumont
Carrollton
Corpus Christi
Dallas
Denton
El Paso
Garland
Grand Prairie
Houston
Longview
Lubbock
Plano
Port Arthur
San Antonio
Tyler
Waco
Wichita Falls

UTAH

Orem
Provo
Sandy City
West Valley City

VERMONT

Burlington

VIRGINIA

Alexandria
Chesapeake
Danville
Hampton
Lynchburg
Newport News
Norfolk
Portsmouth
Richmond
Roanoke
Suffolk
Virginia Beach

WASHINGTON

Bellevue
Seattle
Spokane
Tacoma
Vancouver

WEST VIRGINIA

Charleston
Huntington

WISCONSIN

Eau Claire
Green Bay
Milwaukee
Waukesha
West Allis

WYOMING

Casper
Cheyenne

*The number of cities responding to the survey is 327. In five cases however, the surveys were received too late to be included in the data analysis. The discussion in this report is based upon the responses of 322 cities.

About The National League of Cities

The National League of Cities was established in 1924 by and for reform-minded state municipal leagues. It now represents 49 leagues and more than 1,300 cities directly and, through the membership of the state municipal leagues, more than 16,000 cities indirectly.

NLC serves as an advocate for its members in Washington in the legislative, administrative, and judicial processes that affect them; develops and pursues a national urban policy that meets the present and future needs of our nation's cities and the people who live in them; offers training, technical assistance and information to municipal officials to help them improve the quality of local government in our urban nation; and undertakes research and analysis on topics and issues of importance to the nation's cities.

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